

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input checked="" type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Clare County	County Clare
Fiscal Year End 09/30/07	Opinion Date March 31, 2008	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☒ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) Michigan Department of Treasury - Local Audit and Finance		Telephone Number 517-373-3227		
Street Address 430 West Allegan, 1st Floor Austin Bldg, PO Box 30728		City Lansing	State MI	Zip 48909
Authorizing CPA Signature		Printed Name Cary Jay Vaughn, CPA, CGFM		License Number 1101024355

Report on
Examination

COUNTY OF CLARE

September 30, 2007

A map of the state of Michigan showing its 83 counties. The counties are labeled with their names. Clare County is located in the central-eastern part of the state and is marked with a large black star. The counties shown are: Keweenaw, Houghton, Ontonagon, Baraga, Gogebic, Iron, Marquette, Alger, Schoolcraft, Delta, Luce, Chippewa, Mackinac, Dickinson, Menominee, Emmet, Cheboygan, Presque Isle, Charlevoix, Antrim, Otsego, Montmorency, Alpena, Leelanau, Grand Traverse, Kalkaska, Crawford, Oscoda, Alcona, Benzie, Manistee, Wexford, Missaukee, Roscommon, Ogemaw, Iosco, Mason, Lake, Osceola, Clare (marked with a star), Gladwin, Arenac, Oceana, Newaygo, Mecosta, Isabella, Midland, Bay, Huron, Tuscola, Sanilac, Muskegon, Montcalm, Gratiot, Saginaw, Kent, Ionia, Clinton, Shiawassee, Genesee, Lapeer, St. Clair, Ottawa, Allegan, Barry, Eaton, Ingham, Livingston, Oakland, Macomb, Van Buren, Kalamazoo, Calhoun, Jackson, Washtenaw, Wayne, Berrien, Cass, St. Joseph, Branch, Hillsdale, Lenawee, and Monroe.

**Local Audit and Finance Division
Bureau of Local Government Services**

CLARE COUNTY
BOARD OF COMMISSIONERS

Karen Lipovsky
Chairperson

Jim Gelios
Lynn Grim
Fred DeBoer

Jordon Lockmiller
Donald David
Jack Kleinhardt

COURT JUDGES

Thomas Evans
Circuit Judge

Roy Mienk
Circuit Judge

Gary J. Allen
District Judge

Thomas P. McLaughlin
Probate Judge

OTHER ELECTED OFFICIALS

Carol A. McAulay
Clerk/Register of Deeds
and Abstractor

Paul Lapham
Surveyor

Jeffery Goyt
Sheriff

Shane Haskin
Drain Commissioner

Lois Chinn
Treasurer

Norman Gage
Prosecuting Attorney

ELECTED ROAD COMMISSIONERS

Timothy Haskin
Chairperson

Donald Armentrout

Michael Duggan

COUNTY POPULATION--2000
31,252

STATE EQUALIZED VALUATION--2007
\$1,417,590,182



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

ROBERT J. KLEINE
STATE TREASURER

March 31, 2008

County of Clare
Board of County Commissioners
225 West Main Street
P.O. Box 438
Harrison, Michigan 48625

RE: Unqualified Opinion on Basic Financial Statements and Supplementary
Schedule of Expenditures of Federal and State Awards--Governmental Entity

Independent Auditor's Report

Dear Commissioners:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Clare, Michigan, as of and for the year ended September 30, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Clare County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Clare County Transit Corporation (enterprise fund) which represents 33% and 66%, respectively, of the assets and revenues of the business-type funds. We did not audit the financial statements of the Clare County Road Commission (special revenue component unit) which represents 76% and 98%, respectively, of the assets and revenues of the component units. These financial statements were audited by other auditors. Our opinion on these financial statements, insofar as it relates to the amounts included for the Clare County Transit Corporation and Clare County Road Commission, is based solely on the reports of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Clare, Michigan, as of September 30, 2007, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated March 31, 2008 on our consideration of the County of Clare's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the Budgetary Comparisons for Major Funds, as identified in the Table of Contents, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We and other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Clare's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by US Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and is not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The combining, individual nonmajor fund financial statements and the Schedule of Expenditures of Federal Awards have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of other auditors are fairly stated in all material respects in relation to the basic financial statements, taken as a whole.



Cary Jay Vaughn, CPA, CGFM
Audit Manager
Local Audit and Finance Division

CLARE COUNTY
TABLE OF CONTENTS

	<u>Page</u>
MANAGEMENT’S DISCUSSION AND ANALYSIS	1
<u>BASIC FINANCIAL STATEMENTS</u>	
EXHIBIT A--Statement of Net Assets	9
EXHIBIT B--Statement of Activities	11
EXHIBIT C--Balance Sheet--Governmental Funds	13
EXHIBIT D--Statement of Revenues, Expenditures and Changes in Fund Balances Balances--Governmental Funds.....	14
EXHIBIT D-1--Reconciliation of the Statement of Revenues, Expenditures and Change in Fund Balances of Governmental Funds to the Statement of Activities	15
EXHIBIT E--Statement of Net Assets--Proprietary Funds	16
EXHIBIT F--Statement of Revenues, Expenses and Changes in Net Assets Proprietary Funds	17
EXHIBIT G--Statement of Cash Flows--Proprietary Funds	18
EXHIBIT H--Statement of Net Assets--Fiduciary Funds.....	19
EXHIBIT I--Statement of Net Assets--Component Units	20
EXHIBIT J--Statement of Activities--Component Units	21
NOTES TO FINANCIAL STATEMENTS	22
<u>REQUIRED SUPPLEMENTAL INFORMATION</u>	
EXHIBIT K--Budgetary Comparison Schedule--General Fund.....	71
EXHIBIT L--Budgetary Comparison Schedule--Gypsy Moth Fund Major Special Revenue Fund.....	72
EXHIBIT M--Budgetary Comparison Schedule--Revenue Sharing Reserve Major Special Revenue Fund.....	73

CLARE COUNTY

TABLE OF CONTENTS
(Continued)

Page

SUPPLEMENTAL INFORMATION AND SCHEDULES

EXHIBIT N--Combining Balance Sheet--Non-Major Governmental Funds	74
EXHIBIT O--Combining Statement of Revenues, Expenditures and Changes in Fund Balances--Non-Major Governmental Funds	76
EXHIBIT P--Combining Statement of Net Assets--Non-Major Enterprise Funds	78
EXHIBIT Q--Statement of Revenues, Expenses and Changes in Net Assets Non-Major Enterprise Funds	79
EXHIBIT R--Combining Statement of Cash Flows--Non-Major Enterprise Funds	80
EXHIBIT S--Combining Statement of Net Assets--Internal Service Funds	81
EXHIBIT T--Statement of Revenues, Expenses and Changes in Net Assets Internal Service Funds	82
EXHIBIT U--Combining Statement of Cash Flows--Internal Service Funds	83
EXHIBIT V--Combining Statement of Fiduciary Net Assets--Agency Funds	84
EXHIBIT W--Statement of Revenues and Other Financing Sources Budget and Actual--General Fund	85
EXHIBIT X--Statement of Expenditures and Other Uses--By Activity Budget and Actual--General Fund	88
EXHIBIT AA-1--Combining Statements of Net Assets Department of Public Works--Component Unit	91
EXHIBIT AA-2--Combining Statement of Activities Department of Public Works--Component Unit	92
EXHIBIT AA-3--Combining Balance Sheet--Department of Public Works Component Unit--Governmental Funds	93
EXHIBIT AA-4--Combining Statement of Revenues, Expenditures and Changes in Fund Balances--Department of Public Works--Component Unit Governmental Funds	94

CLARE COUNTY
TABLE OF CONTENTS
(Continued)

	<u>Page</u>
EXHIBIT AB-1--Combining Statements of Net Assets--Drain Component Unit.....	95
EXHIBIT AB-2--Combining Statement of Activities--Drain Component Unit.....	96
EXHIBIT AB-3--Combining Balance Sheet--Drain--Component Unit Governmental Funds	97
EXHIBIT AB-4--Combining Statement of Revenues, Expenditures and Changes in Fund Balances--Drain--Component Unit--Governmental Funds	98
SCHEDULE 1--Expenditures of Federal Awards	99
Notes to Schedule of Expenditures of Federal Awards	100
Schedule of Findings and Questioned Costs.....	101
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance With <u>Government Auditing Standards</u>	115
Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133	117

COUNTY OF CLARE

MANAGEMENT'S DISCUSSION AND ANALYSIS

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the County, as a whole, and present a longer-term view of the County's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the County's operations in more detail than the government-wide financial statements.

The County as a Whole

The County's net assets for the governmental funds increased \$2,539,801 or 31 % from the prior fiscal year for the governmental activities. The County's net assets for the business-type activities also increased \$1,226,601 or 24 % from the prior fiscal year. In a condensed format, the tables below show a comparison of the net assets as of the current year to the prior year.

	Governmental Activities <u>2006</u>	Governmental Activities <u>2007</u>	<u>Difference</u>	<u>Percent</u>
Current and Other Assets	\$ 6,858,906	\$ 8,897,345	\$ 2,038,439	30%
Noncurrent Assets	108,325	103,185	(5,140)	-5%
Capital Assets	4,133,008	4,108,350	(24,658)	-1%
Total Assets	<u>11,100,239</u>	<u>13,108,880</u>	<u>2,008,641</u>	<u>18%</u>
Long-Term Liabilities Outstanding	2,253,418	1,834,782	(418,636)	-19%
Other Liabilities	762,258	649,734	(112,524)	-15%
Total Liabilities	<u>3,015,676</u>	<u>2,484,516</u>	<u>(531,160)</u>	<u>-18%</u>
Net Assets				
Invested in Capital Assets				
Net of Related Debt	2,264,924	2,626,780	361,856	16%
Restricted	1,746,871	4,090,200	2,343,329	134%
Unrestricted	4,072,768	3,907,384	(165,384)	-4%
Total Net Assets	<u>\$ 8,084,563</u>	<u>\$ 10,624,364</u>	<u>\$ 2,539,801</u>	<u>31%</u>

Restricted net assets are those net assets that have constraints placed on them by either: a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the government to assess, levy, charges or otherwise mandate payment of resources and includes a legally enforceable requirement that those resources be used only for the specified purpose stipulated in the legislation. All assets as such (except for assets invested in capital assets-net or related debt) are considered restricted.

COUNTY OF CLARE

MANAGEMENT'S DISCUSSION AND ANALYSIS

A portion of the County's net assets in the amount of \$2,626,780 reflects its investments in capital assets (i.e., land, buildings, vehicles, and infrastructure); less any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to the citizens of Clare County; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the County's net assets, \$4,090,200 represents resources which are subject to external restrictions on how they may be used. The remaining balance of \$3,907,384 represents "unrestricted net assets" that may be used to meet the County's ongoing obligations to citizens and creditors.

At the end of the 2007 fiscal year, Clare County is able to report positive balances in all three categories of net assets, both from a government as a whole, as well as for separate governmental and business activities, as explained above.

	Business-Type Activities 2006	Business-Type Activities 2007	Difference	Percent
Current Assets	\$ 5,196,906	\$ 6,260,307	\$ 1,063,401	20%
Noncurrent Assets		150,000	150,000	100%
Capital Assets	<u>1,334,704</u>	<u>1,253,976</u>	<u>(80,728)</u>	<u>-6%</u>
Total Assets	<u>6,531,610</u>	<u>7,664,283</u>	<u>1,132,673</u>	<u>17%</u>
Other Liabilities	<u>102,246</u>	<u>89,046</u>	<u>(13,200)</u>	<u>-13%</u>
Total Liabilities	<u>102,246</u>	<u>89,046</u>	<u>(13,200)</u>	<u>-13%</u>
Net Assets				
Invested in Capital Assets	1,334,704	1,253,976	(80,728)	-6%
Unrestricted	<u>5,094,660</u>	<u>6,321,261</u>	<u>1,226,601</u>	<u>24%</u>
Total Net Assets	<u>\$ 6,429,364</u>	<u>\$ 7,575,237</u>	<u>\$ 1,145,873</u>	<u>18%</u>

COUNTY OF CLARE

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following table shows the changes of the net assets for the years ended September 30, 2006 and September 30, 2007:

	Governmental Activities <u>2006</u>	Governmental Activities <u>2007</u>	<u>Difference</u>	<u>Percent</u>
Program Revenues				
Charges for Services	\$ 4,377,102	\$ 2,998,348	\$ (1,378,754)	-31%
Operating Grants and Contributions	1,444,658	3,014,461	1,569,803	109%
Capital Grants and Contributions	12,605	80,689	68,084	540%
General Revenues				
Property Taxes	6,490,568	6,921,246	430,678	7%
Unrestricted Investment Earnings	233,997	238,955	4,958	2%
Other Revenues	<u>540,011</u>	<u>858,029</u>	<u>318,018</u>	<u>59%</u>
Total Revenues	<u>13,098,941</u>	<u>14,111,728</u>	<u>1,012,787</u>	<u>8%</u>
Program Expenses				
General Government	4,302,304	4,232,228	(70,076)	-2%
Public Safety	5,575,616	5,187,196	(388,420)	-7%
Public Works	108,089	100,679	(7,410)	-7%
Health and Welfare	1,937,636	1,935,899	(1,737)	0%
Community and Economic Development	57,943	764,890	706,947	1220%
Recreation and Culture	30,892	13,589	(17,303)	-56%
Other		742,154	742,154	100%
Interest on Long-Term Debt	<u>140,089</u>	<u>36,675</u>	<u>(103,414)</u>	<u>-74%</u>
Total Expenses	<u>12,152,569</u>	<u>13,013,310</u>	<u>860,741</u>	<u>7%</u>
Increase (Decrease) in Net Assets Before Transfers	946,372	1,098,418	152,046	16%
Transfers	<u>1,238,000</u>	<u>371,250</u>	<u>(866,750)</u>	<u>-70%</u>
Change in Net Assets	2,184,372	1,469,668	(714,704)	-33%
Restatement to Beginning Net Assets (Note S)	<u>1,070,133</u>	<u>1,070,133</u>	<u>1,070,133</u>	<u>100%</u>
Ending Net Assets	<u>\$ 8,084,563</u>	<u>\$ 10,624,364</u>	<u>\$ 2,539,801</u>	<u>31%</u>

Public Act 357 of 2004 provided a funding mechanism to serve as a substitute to county revenue sharing payments. This substitute funding mechanism involved a gradual shift of county property tax millage from a winter tax levy to a summer tax levy and, additionally, required the establishment of a restricted fund to be known as the Revenue Sharing Reserve Fund. The creation of the Revenue Sharing Reserve Fund in 2004 shifted the General Fund County Property Tax Collections from December to July over a three year period. During the time period, the County will levy 33% more each fiscal year and set aside that amount into the Revenue Sharing Fund. The County in turn draws an amount from the fund each year equal to the estimated State Revenue Sharing payment.

COUNTY OF CLARE

MANAGEMENT'S DISCUSSION AND ANALYSIS

This process is intended to fill the funding gap created by the elimination of State revenue sharing until it is reinstated in 2010. The amount being drawn from this account must be reduced in 2009 for it to accomplish that goal.

Business-Type Activities

The county's net assets for business-type activities increased during 2007 by \$1,145,873 or by 18% from the prior fiscal year. This was due largely to an increase to property tax recognition, unrestricted investment earnings and an increase in capital grants and contributions, as well as the increase in charges for services related to tax foreclosure sales.

	Business-Type Activities 2006	Business-Type Activities 2007	Difference	Percent
Program Revenues				
Charges for Services	\$ 654,265	\$1,129,726	\$ 475,461	73%
Operating Grants and Contributions	668,036	709,546	41,510	6%
Capital Grants and Contributions	27,165	263,301	236,136	869%
General Revenues				
Property Taxes	256,847	270,624	13,777	5%
Unrestricted Investment Earnings	114,608	90,546	(24,062)	-21%
Other	8,447	48,872	40,425	479%
Total Revenues	1,729,368	2,512,615	783,247	45%
Program Expenses				
Delinquent Tax Fund			-	0%
Public Transit	1,475,960	1,566,309	90,349	6%
Nonmajor Enterprise	22,671	141,234	118,563	523%
Total Expenses	1,498,631	1,707,543	208,912	14%
Increase in Net Assets Before Transfers	230,737	805,072	574,335	249%
Transfers	(1,238,000)	(371,250)	866,750	-70%
Increase (Decrease) in Net Assets	(1,007,263)	433,822	1,441,085	143%
Restatement to Beginning Net Assets (Note S)		712,050	712,050	100%
Ending Net Assets	\$ 6,429,364	\$7,575,237	\$ 1,145,873	18%

COUNTY OF CLARE

MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental Activities

As the County completed fiscal year 2007, its governmental funds reported combined fund balances of \$6,166,036, an increase of \$201,719 or 3% over the prior fiscal year. The net changes are summarized below:

	Governmental Activities <u>2006</u>	Governmental Activities <u>2007</u>	Amount Difference <u>2007</u>	Percentage Difference <u>2007</u>
Revenues				
Taxes	\$ 6,576,563	\$ 6,388,624	\$ (187,939)	-3%
Licenses and Permits	234,117	222,577	(11,540)	-5%
Federal and State Grants	1,429,610	1,965,308	535,698	37%
Contributions From Local Units	460,642	443,562	(17,080)	-4%
Charges for Services	2,993,060	2,735,945	(257,115)	-9%
Fines and Forfeits	37,882	39,826	1,944	5%
Interest and Rentals	749,195	1,016,429	267,234	36%
Other Revenue	<u>617,872</u>	<u>580,384</u>	<u>(37,488)</u>	<u>-6%</u>
Total Revenues	<u>13,098,941</u>	<u>13,392,655</u>	<u>293,714</u>	<u>2%</u>
Expenses				
General Government	4,023,380	4,161,199	137,819	3%
Public Safety	5,093,245	4,855,978	(237,267)	-5%
Public Works	103,344	100,679	(2,665)	-3%
Health and Welfare	1,864,123	1,935,899	71,776	4%
Community and Economic Development	52,590	769,791	717,201	1364%
Recreation and Cultural	25,208	13,589	(11,619)	-46%
Other	597,410	742,154	144,744	24%
Capital Outlay	992,704	246,047	(746,657)	-75%
Debt Service	<u>588,610</u>	<u>591,484</u>	<u>2,874</u>	<u>0%</u>
Total Expenditures	<u>13,340,614</u>	<u>13,416,820</u>	<u>76,206</u>	<u>1%</u>
Excess of Revenues Over (Under) Expenditures	<u>(241,673)</u>	<u>(24,165)</u>	<u>217,508</u>	<u>-90%</u>
Other Financing Sources (Uses)				
Loan Proceeds	54,115	51,475	(2,640)	-5%
Interfund Transfers In (Out)	<u>1,191,000</u>	<u>371,250</u>	<u>(819,750)</u>	<u>-69%</u>
Total Other Financing Sources (Uses)	1,245,115	422,725	(822,390)	-66%
Beginning Fund Balance-Restated	<u>4,960,875</u>	<u>5,767,556</u>	<u>806,681</u>	<u>16%</u>
Ending Fund Balance-Restated	<u><u>\$ 5,964,317</u></u>	<u><u>\$ 6,166,116</u></u>	<u><u>\$ 201,799</u></u>	<u><u>3%</u></u>

COUNTY OF CLARE
MANAGEMENT'S DISCUSSION AND ANALYSIS

The County's Funds

The financial statements for the County's major funds are detailed in Exhibits C and D, following the entity-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the County as a whole. The County Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millage. The County's major funds for 2007 include the General Fund, Gypsy Moth Fund, Revenue Sharing Reserve Fund, Transit Fund, and the Delinquent Tax Revolving Fund.

The General Fund is the chief operating fund of the County. Unless otherwise required by statute, contractual agreement, or board policy, all County revenues and expenditures are recorded in the General Fund.

The most significant services paid by the County's governmental funds are general government and public safety, which incurred expenses of \$4,161,199 and \$4,855,978, respectively, during 2007.

Total governmental revenues increased by approximately 2% primarily due to the increase in interest and rental income. The total governmental expenditures remained about the same as in the prior year.

COUNTY OF CLARE

MANAGEMENT'S DISCUSSION AND ANALYSIS

Business-Type Activities

	Business-Type Activities <u>2006</u>	Business-Type Activities <u>2007</u>	Amount Difference <u>2007</u>	Percentage Difference <u>2007</u>
Operating Revenues				
Interest and Penalties on Taxes	\$ 266,059	\$ 309,572	\$ 43,513	16%
Charges for Services	<u>388,206</u>	<u>820,154</u>	<u>431,948</u>	<u>111%</u>
Total Operating Revenues	<u>654,265</u>	<u>1,129,726</u>	<u>475,461</u>	<u>73%</u>
Operating Expenses				
Administrative	138,907	155,670	16,763	12%
Operations	838,792	869,804	31,012	4%
Maintenance	157,212	196,007	38,795	25%
Materials and Supplies	22,671	141,234	118,563	523%
Depreciation	<u>341,049</u>	<u>344,828</u>	<u>3,779</u>	<u>1%</u>
Total Operating Expenses	<u>1,498,631</u>	<u>1,707,543</u>	<u>208,912</u>	<u>14%</u>
Net Income (Loss) From Operations	<u>(844,366)</u>	<u>(577,817)</u>	<u>266,549</u>	<u>-32%</u>
Nonoperating Revenue (Expenses)				
Intergovernmental	668,036	709,546	41,510	6%
Property Taxes	256,847	270,624	13,777	5%
Interest Income	114,608	90,546	(24,062)	-21%
Other	<u>8,447</u>	<u>48,872</u>	<u>40,425</u>	<u>479%</u>
Total Nonoperating Revenues (Expenses)	<u>1,047,938</u>	<u>1,119,588</u>	<u>71,650</u>	<u>7%</u>
Net Income (Loss) Before Operating Transfers	203,572	541,771	338,199	166%
Capital Contributions	27,165	263,301	236,136	869%
Transfers (Out)--Primary Government	<u>(1,238,000)</u>	<u>(371,250)</u>	<u>866,750</u>	<u>-70%</u>
Net Income (Loss)	(1,007,263)	433,822	1,441,085	-143%
Beginning Net Assets--Restated	<u>7,436,627</u>	<u>7,141,415</u>	<u>(295,212)</u>	<u>-4%</u>
Ending Net Assets--Restated	<u>\$ 6,429,364</u>	<u>\$ 7,575,237</u>	<u>\$ 1,145,873</u>	<u>18%</u>

COUNTY OF CLARE
MANAGEMENT'S DISCUSSION AND ANALYSIS

General Fund Budgetary Highlights

During the 2007 fiscal year, the County's expenditures exceeded revenues in the General Fund by nearly \$1,000,000. Roughly 90% of that excess spending was managed by transferring money from the Revenue Sharing Reserve Fund and the Delinquent Tax Revolving Fund. Reductions in expenditures will need to be considered in future years to reduce the County's budgetary reliance on these two funds. There is also a need to reimburse the Delinquent Tax Revolving Fund to avoid the need to borrow in future fiscal cycles.

Capital Asset and Debt Administration

At the end of fiscal year 2007, the County had \$4,108,350 invested in a broad range of capital assets, including land, land improvements, buildings and building improvements, office equipment, and police vehicles and equipment. Major additions to the capital assets this fiscal year included a new roof for the county building and jail and vehicles for the Sheriff's Department. These additions totaled \$246,047.

Debt is classified as long-term if it matures in a period greater than one year. At the end of the current fiscal year, the County had total debt outstanding of \$1,834,782 which includes vested employee benefits of \$301,737.

Economic Factors and Next Year's Budgets and Rates

The major problems being addressed in the 2008 fiscal year involve the County's growing reliance on the borrowing from the Delinquent Tax Revolving Fund, and from over-dependence on the Revenue Sharing Reserve Fund. During the next three to five fiscal cycles, the County will be dealing with a reducing revenue stream and increased expenses. The County will need to accomplish fairly dramatic reductions in expenditures to avoid a worsening economic crisis.

Contacting the County's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the County's finances and to show accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Clare County Administrator's Office, 225 West Main Street, P.O. Box 438, Harrison, Michigan 48625.

CLARE COUNTY
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
September 30, 2007

EXHIBIT A

	PRIMARY GOVERNMENT			
	Governmental Activities	Business-Type Activities	Total	Component Units
<u>ASSETS</u>				
Current Assets				
Cash and Cash Equivalents	\$ 3,520,698	\$ 1,127,217	\$ 4,647,915	\$ 843,796
Investments	2,562,479	2,450,775	5,013,254	114,041
Receivables (Net)				
Summer Taxes	1,127,064		1,127,064	
Taxes--Delinquent		2,021,463	2,021,463	
Accounts	389,630	26,345	415,975	14,862
Notes	1,484,832		1,484,832	
Land Contracts	20,304		20,304	
Due From State	239,140		239,140	764,118
Due From Federal Government	32,020	2,016	34,036	
Due From Local Units of Governments				
Due Within One Year	2,454	5,480	7,934	542,410
Special Assessments Receivable				
Due Within One Year				42,083
Internal Balances	(481,276)	481,276	-	
Inventories				308,348
Prepaid Insurance		145,735	145,735	
Total Current Assets	8,897,345	6,260,307	15,157,652	2,629,658
Noncurrent Assets				
Capital Assets, Net of Accumulated Depreciation	4,108,350	1,253,976	5,362,326	28,250,810
Due From Local Units of Governments				
Due in More Than One Year				1,075,000
Special Assessments Receivable				
Due in More Than One Year				60,045
Long-Term Advances to				
Other Funds--Component Units	103,185	150,000	253,185	
Total Noncurrent Assets	4,211,535	1,403,976	5,615,511	29,385,855
Total Assets	\$ 13,108,880	\$ 7,664,283	\$ 20,773,163	\$ 32,015,513

CLARE COUNTY
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
September 30, 2007

EXHIBIT A
(CONTINUED)

	PRIMARY GOVERNMENT			
	Governmental Activities	Business-Type Activities	Total	Component Units
<u>LIABILITIES AND NET ASSETS</u>				
Current Liabilities				
Accounts Payable	\$ 327,460	\$ 33,550	\$ 361,010	\$ 159,624
Due to Other Government Units		2,613	2,613	
Due to State	36,000		36,000	
Accrued Liabilities	230,021	32,073	262,094	24,644
Deferred Revenue	56,253		56,253	
Total Current Liabilities	649,734	68,236	717,970	184,268
Long-Term Liabilities				
Advances From State			-	256,318
Long-Term Advances From				
Other Funds--Primary Government			-	253,185
Assessments Collected in Advance			-	4,334
Capital Lease Payable--Due Within One Year	10,491		10,491	
Capital Lease Payable--Due In More Than One Year	31,079		31,079	
Bonds Payable--Due Within One Year	60,000		60,000	495,000
Bonds Payable--Due In More Than One Year	930,000		930,000	1,205,000
Notes Payable--Due Within One Year	450,000		450,000	53,097
Notes Payable--Due In More Than One Year	51,475		51,475	55,428
Installment Purchase Agreements				
Payable--Due Within One Year				14,993
Installment Purchase Agreements				
Payable--Due in More Than One Year				56,532
Vested Employee Benefits Payable	301,737	20,810	322,547	209,481
Total Noncurrent Liabilities	1,834,782	20,810	1,855,592	2,603,368
Total Liabilities	2,484,516	89,046	2,573,562	2,787,636
Net Assets				
Investment in Capital Assets-Net of Related Debt	2,626,780	1,253,976	3,880,756	27,760,760
Restricted for				
Debt Service	763		763	445
Housing Rehab	142,968		142,968	
Capital Projects	361,188		361,188	95,613
County Roads				1,368,934
Other Purposes	3,585,281		3,585,281	
Unrestricted	3,907,384	6,321,261	10,228,645	2,125
Total Net Assets	\$ 10,624,364	\$ 7,575,237	\$ 18,199,601	\$ 29,227,877

The Notes to Financial Statements are an integral part of this statement.

CLARE COUNTY
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2007

EXHIBIT B

Functions/Programs	PROGRAM REVENUES			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General Government	\$ 4,232,228	\$ 1,231,611	\$ 949,298	
Public Safety	5,187,196	1,740,128	716,374	\$ 80,689
Public Works	100,679		16,167	
Health and Welfare	1,935,899	25,959	688,798	
Community and Economic Development	764,890	650	630,235	
Recreation and Culture	13,589		13,589	
Other	742,154			
Interest on Long-Term Debt	36,675			
Total Governmental Activities	13,013,310	2,998,348	3,014,461	80,689
Business-Type Activities				
Delinquent Tax Revolving		331,819		
Public Transit	1,566,309	327,849	758,418	263,301
Non-Major Enterprise	141,234	470,058		
Total Business-Type Activities	1,707,543	1,129,726	758,418	263,301
Total Primary Government	\$ 14,720,853	\$ 4,128,074	\$ 3,772,879	\$ 343,990
Component Units				
Road Commission	\$ 5,674,429	\$ 906,903	\$ 3,778,030	\$ 1,606,872
Economic Development Corporation				
Department of Public Works	74,664		74,669	
Drain Fund	87,911	68,683	14,656	
Total Component Units	\$ 5,837,004	\$ 975,586	\$ 3,867,355	\$ 1,606,872

CLARE COUNTY
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2007

EXHIBIT B
(CONTINUED)

NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS				
PRIMARY GOVERNMENT				
<u>Functions/Programs</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Component Units</u>
Primary Government				
Governmental Activities				
General Government	\$ (2,051,319)		\$ (2,051,319)	
Public Safety	(2,650,005)		(2,650,005)	
Public Works	(84,512)		(84,512)	
Health and Welfare	(1,221,142)		(1,221,142)	
Community and Economic Development	(134,005)		(134,005)	
Recreation and Culture				
Other	(742,154)		(742,154)	
Interest on Long-Term Debt	(36,675)		(36,675)	
Total Governmental Activities	(6,919,812)	\$ -	(6,919,812)	\$ -
Business-Type Activities				
Delinquent Tax Revolving		331,819	331,819	
Public Transit		(216,741)	(216,741)	
Jail Commissary		328,824	328,824	
Total Business-Type Activities		443,902	443,902	
Total Primary Government	\$ (6,919,812)	\$ 443,902	\$ (6,475,910)	\$ -
Component Units				
Road Commission				\$ 617,376
Economic Development Corporation				-
Department of Public Works				5
Drain Fund				(4,572)
Total Component Units	\$ -	\$ -	\$ -	\$ 612,809
General Revenues				
Property Taxes	\$ 6,921,246	\$ 270,624	\$ 7,191,870	
Unrestricted Investment Earnings	238,955	90,546	329,501	
Rentals	77,580		77,580	
Royalties	555,060		555,060	
Other	225,389		225,389	\$ 64,282
Transfers	371,250	(371,250)		
Total General Revenues--Special Items and Transfers	8,389,480	(10,080)	8,379,400	64,282
Change in Net Assets	1,469,668	433,822	1,903,490	677,091
Net Assets--Beginning	8,084,563	6,429,365	14,513,928	28,550,786
Restatement to Net Assets [Note S (8)(6)(4)]	1,070,133	712,050	1,782,183	
Restated Net Assets--Beginning	9,154,696	7,141,415	16,296,111	28,550,786
Net Assets--Ending	\$ 10,624,364	\$ 7,575,237	\$ 18,199,601	\$ 29,227,877

The Notes to Financial Statements are an integral part of this statement.

**CLARE COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2007**

EXHIBIT C

<u>ASSETS</u>	<u>SPECIAL REVENUE FUNDS</u>				
	General	Gypsy Moth	Revenue Sharing Reserve	Non-Major Governmental Funds	Total Governmental Funds
Cash and Cash Equivalents	\$ 890,488	\$ 24,318	\$ 1,060,467	\$ 1,368,945	\$ 3,344,218
Investments	1,203,355	1,201,358		157,766	2,562,479
Receivables					
Summer Taxes	1,127,064				1,127,064
Accounts	372,397			15,481	387,878
Notes				1,484,832	1,484,832
Land Contracts				20,304	20,304
Due From Other Funds--Primary Government			567,175		567,175
Due From State	129,807			109,333	239,140
Due From Federal Government	80			31,940	32,020
Due From Local Units	2,454				2,454
Long-Term Advances to					
Other Funds--Component Units	103,185				103,185
Total Assets	<u>\$ 3,828,830</u>	<u>\$ 1,225,676</u>	<u>\$ 1,627,642</u>	<u>\$ 3,188,601</u>	<u>\$ 9,870,749</u>
<u>LIABILITIES AND FUND EQUITY</u>					
Liabilities					
Accounts Payable	\$ 217,346	\$ 13		\$ 110,101	\$ 327,460
Due to Other Funds--Primary Government	808,021				808,021
Due to State				36,000	36,000
Accrued Liabilities	194,915	310		34,752	229,977
Long-Term Advances From					
Other Funds--Primary Government				209,154	209,154
Deferred Revenue	532,622			1,561,389	2,094,011
Total Liabilities	<u>1,752,904</u>	<u>323</u>	<u>\$ -</u>	<u>1,951,396</u>	<u>3,704,623</u>
Fund Equity					
Fund Balances					
Reserved for					
Long-Term Advances	103,185				103,185
Family Counseling	22,952				22,952
Gypsy Moth		1,225,353			1,225,353
Revenue Sharing Reserve			1,627,642		1,627,642
Donations				5,065	5,065
Debt Service				763	763
Housing Rehab				142,968	142,968
Capital Projects				361,188	361,188
Unreserved--Undesignated	1,949,789			727,221	2,677,010
Total Fund Equity	<u>2,075,926</u>	<u>1,225,353</u>	<u>1,627,642</u>	<u>1,237,205</u>	<u>6,166,126</u>
Total Liabilities and Fund Equity	<u>\$ 3,828,830</u>	<u>\$ 1,225,676</u>	<u>\$ 1,627,642</u>	<u>\$ 3,188,601</u>	<u>\$ 9,870,749</u>
Fund Balance--Total Governmental Funds					\$ 6,166,126
Amounts reported for governmental activities in the Statement of Net Assets are different because:					
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.					4,108,350
Revenues that do not provide current financial resources are not reported as revenue in the funds.					2,037,758
Internal service funds are used by management to charge the costs of certain activities such as insurance and telephone service to individual governmental funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Assets.					146,912
Certain liabilities, such as bonds payable, interest payable and compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.					(1,834,782)
Total Net Assets					<u>\$ 10,624,364</u>

CLARE COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES--GOVERNMENTAL FUNDS
For the Year Ended September 30, 2007

EXHIBIT D

	<u>SPECIAL REVENUE FUNDS</u>				
	General	Gypsy Moth	Revenue Sharing Reserve	Non-Major Governmental Funds	Total Governmental Funds
Revenues					
Taxes and Penalties	\$ 5,629,573	\$ 4		\$ 759,047	\$ 6,388,624
Licenses and Permits	92,669			129,908	222,577
Federal Grants	142,860			541,320	684,180
State Grants	815,067			466,061	1,281,128
Contributions From Local Units	443,562				443,562
Charges for Services	2,453,638			282,307	2,735,945
Fines and Forfeits	27,529			12,297	39,826
Interest and Rentals	871,595	57,976	\$ 32,641	54,217	1,016,429
Other Revenue	225,389			354,995	580,384
Total Revenues	10,701,882	57,980	32,641	2,600,152	13,392,655
Expenditures					
Current					
General Government	3,772,254	12,530		376,415	4,161,199
Public Safety	4,233,235			622,743	4,855,978
Public Works	52,986			47,693	100,679
Health and Welfare	587,314			1,348,585	1,935,899
Community and Economic Development	39,076			730,715	769,791
Recreation and Cultural	-			13,589	13,589
Other	742,154				742,154
Capital Outlay	196,637			49,410	246,047
Debt Service					
Principal	9,839			485,000	494,839
Interest and Fiscal Fees	2,103			94,542	96,645
Total Expenditures	9,635,598	12,530	-	3,768,692	13,416,820
Excess of Revenues Over (Under) Expenditures	1,066,284	45,450	32,641	(1,168,540)	(24,165)
Other Financing Sources (Uses)					
Loan Proceeds				51,475	51,475
Interfund Transfers In	973,657		1,132,437	1,049,547	3,155,641
Interfund Transfers (Out)	(2,166,979)		(602,407)	(15,005)	(2,784,391)
Total Other Financing Sources (Uses)	(1,193,322)	-	530,030	1,086,017	422,725
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(127,038)	45,450	562,671	(82,523)	398,560
Fund Balance (Deficit)--October 1, 2006	2,443,810	1,179,903	1,064,971	1,275,633	5,964,317
Restatement to Fund Balance [Note S (1)(7)]	(240,846)			44,095	(196,751)
Restated Fund Balance--October 1, 2006	2,202,964	1,179,903	1,064,971	1,319,728	5,767,566
Fund Balance (Deficit)--September 30, 2007	\$ 2,075,926	\$ 1,225,353	\$ 1,627,642	\$ 1,237,205	\$ 6,166,126

CLARE COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGE IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2007

EXHIBIT D-1

NET CHANGE IN FUND BALANCES--TOTAL GOVERNMENTAL FUNDS \$ 398,560

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add--Capital Outlay	246,047
Deduct--Depreciation Expense	(379,030)
Deduct--Asset Disposals	

Revenues earned but not available for current resources are not reported in the funds.

Housing Commission--Loans Paid Out During 2007	186,451
Property Taxes	532,622

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

Add--Principal Payments on Long-Term Liabilities	443,364
--	---------

Accrued interest expense is not recorded by governmental funds but is reported under interest and fiscal charges for purposes of net assets.

Add--Net Decrease in Accrued Interest Expense for 2007.	59,970
---	--------

Internal service funds are used by management to charge the costs of certain activities such as insurance and telephone service to individual governmental funds. The net revenue (expense) attributable to those funds is reported with governmental activities.

Add--Net Operating Income (Loss) From Governmental Activities in Internal Service Funds	2,300
---	-------

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the funds. Net decrease in compensated absences.

(20,616)

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$ 1,469,668

The Notes to Financial Statements are an integral part of this statement.

CLARE COUNTY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
September 30, 2007

EXHIBIT E

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES
	Delinquent Tax Revolving	Public Transit	Non-Major Enterprise Funds	Total Enterprise Funds	Internal Service Funds
<u>ASSETS</u>					
Current Assets					
Cash and Cash Equivalents	\$ 661,872	\$ 15,777	\$ 449,568	\$ 1,127,217	\$ 176,480
Investments	1,367,797	1,082,978		2,450,775	
Receivables					
Taxes--Delinquent	2,021,463			2,021,463	
Accounts	8,416	16,382	1,547	26,345	1,752
Due From Federal Government		2,016		2,016	
Due From Local Units	5,480			5,480	
Prepaid Expenses		20,666		20,666	
Prepaid Insurance		125,069		125,069	
Total Current Assets	4,065,028	1,262,888	451,115	5,779,031	178,232
Noncurrent Assets					
Long-Term Advance--Primary Government	481,276			481,276	
Long-Term Advance--Component Units	150,000			150,000	
Capital Assets--Net of Accumulated Depreciation		1,253,976		1,253,976	14,325
Total Noncurrent Assets	631,276	1,253,976	-	1,885,252	14,325
Total Assets	\$ 4,696,304	\$ 2,516,864	\$ 451,115	\$ 7,664,283	\$ 192,557
<u>LIABILITIES</u>					
Current Liabilities					
Accounts Payable		\$ 32,629	\$ 921	\$ 33,550	
Accrued Liabilities		32,073		32,073	\$ 44
Due to Other Government Units		2,613		2,613	
Total Current Liabilities	\$ -	67,315	921	68,236	44
Noncurrent Liabilities					
Accrued Compensated Absences		20,810		20,810	
Long-Term Advance--Primary Government					31,276
Total Noncurrent Liabilities	-	20,810	-	20,810	31,276
Total Liabilities	-	88,125	921	89,046	31,320
<u>NET ASSETS</u>					
Invested in Capital Assets--Net of Related Debt		1,253,976		1,253,976	14,325
Unrestricted	4,696,304	1,174,763	450,194	6,321,261	146,912
Total Net Assets	\$ 4,696,304	\$ 2,428,739	\$ 450,194	\$ 7,575,237	\$ 161,237

The Notes to Financial Statements are an integral part of this statement.

CLARE COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET ASSETS--PROPRIETARY FUNDS
For the Year Ended September 30, 2007

EXHIBIT F

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES
	Delinquent Tax Revolving	Public Transit	Non-Major Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Operating Revenues					
Charges for Services	\$ 22,247	\$ 327,849	\$ 470,058	\$ 820,154	\$ 1,284,430
Interest on Delinquent Taxes	309,572			309,572	
Total Operating Revenues	331,819	327,849	470,058	1,129,726	1,284,430
Operating Expenses					
Administrative		155,670		155,670	
Health Insurance				-	1,272,405
Operations		869,804		869,804	
Maintenance		196,007		196,007	
Materials and Supplies			141,234	141,234	
Depreciation		344,828		344,828	14,325
Total Operating Expenses	-	1,566,309	141,234	1,707,543	1,286,730
Operating Income (Loss)	331,819	(1,238,460)	328,824	(577,817)	(2,300)
Nonoperating Revenues (Expenses)					
Intergovernmental		709,546		709,546	
Property Taxes		270,624		270,624	
Interest Earned on Investments	44,802	45,744		90,546	
Other		48,872		48,872	
Total Nonoperating Revenues (Expenses)	44,802	1,074,786	-	1,119,588	-
Income (Loss) Before Contributions and Transfers	376,621	(163,674)	328,824	541,771	(2,300)
Capital Contributions		263,301		263,301	
Interfund Transfers					
Transfers (Out)	(371,250)			(371,250)	
Change in Net Assets	5,371	99,627	328,824	433,822	(2,300)
Total Net Assets--October 1, 2006	4,093,933	2,329,112	6,320	6,429,365	210,537
Restatement to Net Assets [Note S (6)(4)(5)]	597,000		115,050	712,050	(47,000)
Restated Net Assets--October 1, 2006	4,690,933	2,329,112	121,370	7,141,415	163,537
Total Net Assets--September 30, 2007	\$ 4,696,304	\$ 2,428,739	\$ 450,194	\$ 7,575,237	\$ 161,237

The Notes to Financial Statements are an integral part of this statement.

CLARE COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended September 30, 2007

EXHIBIT G

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES
	Delinquent Tax Revolving	Public Transit	Non-Major Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Cash Flows From Operating Activities					
Cash Received From Customers	\$ 8,522	\$ 327,849	\$ 470,072	\$ 806,443	\$ 1,198,746
Interest on Delinquent Taxes	309,572			309,572	
Delinquent Taxes Collected	(192,476)			(192,476)	
Cash Payments to Employees for Services and Benefits		(792,734)		(792,734)	(1,150,039)
Cash Payments to Suppliers for Goods and Services		(434,351)	(140,747)	(575,098)	
Net Cash Provided by Operating Activities	125,618	(899,236)	329,325	(444,293)	48,707
Cash Flows From Noncapital Financing Activities					
State Grants		470,790		470,790	
Federal Grants		238,756		238,756	
Property Tax		270,624		270,624	
Other		94,616		94,616	
Long-Term Advances	115,724				(15,724)
Transfers (Out)	(371,250)			(371,250)	
Net Cash Provided by Noncapital Financing Activities	(255,526)	1,074,786	-	819,260	(15,724)
Cash Flows From Capital and Related Financing Activities					
Capital Assistance Grants		263,301		263,301	
Fixed Assets Purchased With Transit Corporation Money		(263,301)		(263,301)	
Sale of Fixed Assets		6,070		6,070	
Net Cash Provided by Capital and Related Financing Activities	-	6,070	-	6,070	-
Cash Flows From Investing Activities					
Interest on Cash Equivalents	44,802	45,744		90,546	
Sale or (Purchase) of Investments	(1,050,894)	(224,687)		(1,275,581)	
Net Cash Provided by Investing Activities	(1,006,092)	(178,943)	-	(1,185,035)	-
Net Increase (Decrease) in Cash and Cash Equivalents	(1,136,000)	2,677	329,325	(803,998)	32,983
Cash and Cash Equivalents at Beginning of Year	1,797,872	13,100	120,243	1,931,215	143,497
Cash and Cash Equivalents at End of Year	\$ 661,872	\$ 15,777	\$ 449,568	\$ 1,127,217	\$ 176,480
Reconciliation of Operating Income to Net Cash Provided by Operating Activities					
Operating Income (Loss)	\$ 331,817	\$ (1,238,460)	\$ 328,823	\$ (577,820)	\$ (2,300)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities					
Depreciation Expense		344,828		344,828	14,325
(Increase) Decrease in Delinquent Taxes Receivable	(192,476)			(192,476)	
(Increase) Decrease in Accounts Receivable	(13,723)	(3,218)	14	(16,927)	(1,752)
(Increase) in Prepaid Insurance		4,325		4,325	122,322
Increase (Decrease) in Accounts Payable		(8,153)	488	(7,665)	
Increase (Decrease) in Accrued Wages Payable		(5,160)		(5,160)	44
Increase (Decrease) in Accrued Paid Time Off		237		237	
Increase (Decrease) in Deferred Revenue				-	(83,932)
Increase (Decrease) in Other Accrued Liabilities		6,365		6,365	
Net Cash Provided by Operating Activities	\$ 125,618	\$ (899,236)	\$ 329,325	\$ (444,293)	\$ 48,707

The Notes to Financial Statements are an integral part of this statement.

**CLARE COUNTY
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
September 30, 2007**

EXHIBIT H

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	\$ 2,001,901
Investments	<u>59,861</u>
Total Assets	<u><u>\$ 2,061,762</u></u>
 <u>LIABILITIES AND FUND BALANCE</u>	
Liabilities	
Due to Cities	\$ 622
Due to Schools and Colleges	35
Due to State of Michigan	1,932,796
Undistributed Penal Fines and Interest	60,079
Undistributed Tax Collections	649
Other Liabilities	<u>67,581</u>
Total Liabilities	<u><u>\$ 2,061,762</u></u>

**CLARE COUNTY
STATEMENT OF NET ASSETS
COMPONENT UNITS
September 30, 2007**

EXHIBIT I

<u>ASSETS</u>	Road Commission	Economic Development Corporation	Department of Public Works	Drain Commissioner	Total
Current Assets					
Cash	\$ 603,029	\$ 2,125	\$ 445	\$ 238,197	\$ 843,796
Investments	90,097			23,944	114,041
Accounts Receivable	14,862				14,862
Due From State	764,118				764,118
Due From Local Units of Government					
Due Within One Year	227,410		315,000		542,410
Special Assessments Receivable					
Due Within One Year				42,083	42,083
Inventories	308,348				308,348
Total Current Assets	2,007,864	2,125	315,445	304,224	2,629,658
Noncurrent Assets					
Due From Local Units of Government					
Due In More Than One Year			1,075,000		1,075,000
Special Assessments Receivable					
Due In More Than One Year				60,045	60,045
Capital Assets (Net of Accumulated Depreciation)	27,469,408			781,402	28,250,810
Total Noncurrent Assets	27,469,408	-	1,075,000	841,447	29,385,855
Total Assets	\$ 29,477,272	\$ 2,125	\$ 1,390,445	\$ 1,145,671	\$32,015,513
<u>LIABILITIES</u>					
Current Liabilities					
Accounts Payable	\$ 148,487			\$ 11,137	\$ 159,624
Accrued Liabilities	24,644				24,644
Total Current Liabilities	173,131	\$ -	\$ -	11,137	184,268
Noncurrent Liabilities					
Advances From State of Michigan	256,318				256,318
Long-Term Advances From					
Primary Government				253,185	253,185
Assessments Collected in Advance				4,334	4,334
Bonds Payable--Due Within One Year	180,000		315,000		495,000
Bonds Payable--Due in More Than One Year	130,000		1,075,000		1,205,000
Notes Payable--Due Within One Year				53,097	53,097
Notes Payable--Due in More Than One Year				55,428	55,428
Installment Purchase Agreements					
Payable--Due Within One Year	14,993				14,993
Installment Purchase Agreements					
Payable--Due in More Than One Year	56,532				56,532
Vested Employee Benefits Payable	209,481				209,481
Total Noncurrent Liabilities	847,324	-	1,390,000	366,044	2,603,368
Total Liabilities	1,020,455	-	1,390,000	377,181	2,787,636
<u>NET ASSETS</u>					
Invested in Capital Assets--Net of					
Related Debt	27,087,883			672,877	27,760,760
Restricted for					
County Roads	1,368,934				1,368,934
Debt Service			445		445
Capital Projects				95,613	95,613
Unrestricted		2,125			2,125
Total Net Assets	\$ 28,456,817	\$ 2,125	\$ 445	\$ 768,490	\$29,227,877

CLARE COUNTY
STATEMENT OF ACTIVITIES
COMPONENT UNITS
For the Year Ended September 30, 2007

EXHIBIT J

Functions/Programs	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS				
	Expenses	Charge for Services	Operating Grants and Contributions	Capital Grants and Contributions	Road Commission	Economic Development Corporation	Department of Public Works	Drain Commissioner	Total
Road Commission									
Public Works	\$ 5,638,001	\$ 906,903	\$ 3,778,030	\$ 1,606,872	\$ 653,804				\$ 653,804
Interest on Related Debt	36,428				(36,428)				(36,428)
Total Road Commission	5,674,429	906,903	3,778,030	1,606,872	617,376	\$ -	\$ -	\$ -	617,376
Department of Public Works									
Interest on Related Debt	74,664		74,669				5		5
Total Department of Public Works	74,664	-	74,669	-	-	-	5	-	5
Drain Commissioner									
Public Works	87,632	68,683	14,656					(4,293)	(4,293)
Interest on Related Debt	279							(279)	(279)
Total Drain Commissioner	\$ 87,911	\$ 68,683	\$ 14,656	\$ -	-	-	-	(4,572)	(4,572)
General Revenues									
Gain on Equipment Disposal					64,282				64,282
Total General Revenues					64,282	-	-	-	64,282
Change in Net Assets					681,658	-	5	(4,572)	677,091
Net Assets--Beginning of Year					27,775,159	2,125	440	773,062	28,550,786
Net Assets--End of Year					\$ 28,456,817	\$ 2,125	\$ 445	\$ 768,490	\$ 29,227,877

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Clare County was organized in 1840 and covers an area of 576 square miles divided into 16 townships, 1 village and 2 cities. The county seat is located in the City of Harrison. The county operates under an elected county board of commissioners (7 members) and provides services to its more than 31,000 residents in many areas including law enforcement, administration of justice, community enrichment, and development and human services.

The accounting policies of the County of Clare conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Clare County:

Reporting Entity

The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Although blended component units are legally separate entities, in substance, they are part of the government's operations. The criteria established by the Governmental Accounting Standards Board (GASB) for determining the reporting entity includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading, if data were not included. The component unit total is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government (see discussion below for description of each component unit). Each discretely presented component unit is reported separately in Exhibit I and J of the financial statements.

BLENDED COMPONENT UNITS

Building Authority

The Clare County Building Authority is governed by a 5 member board appointed by the county board of commissioners. Although it is legally separate from the county, the Building Authority is reported as if it were part of the primary government because its sole purpose is to finance and construct the county's public buildings.

Public Transit Corporation

The Clare County Transit Corporation was incorporated on September 1, 1981 in the State of Michigan, under the provisions of Public Act 327 of 1931, as amended, and Public Act 284 of 1972, as amended. The Transit Corporation is not legally separate, but is administered by a 5 to 12 member board elected by a majority of the seated board members present and voting. The Transit Corporation Board may not issue debt and the tax levy is subject to county board of commissioners' approval. The Transit Corporation taxes are levied under the taxing authority of the county, as approved by the county electors, and are included as part of the county's total tax levy and are reported in the Public Transit Corporation Fund.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Clare County Housing Commission

The Clare County Housing Commission was created on March 17, 1975, in the State of Michigan, under the provisions of Public Act 18 of the Extra Session of 1933, as amended. The Housing Commission is administered by a 5 member board appointed by the Clare County Board of Commissioners. Although it is legally separate from the county, the Housing Commission is reported as if it were part of the primary government because its sole purpose is to rehabilitate and make safe inhabited dwellings existing in the County of Clare. Clare County Board of Commissioners approves all grants received by the Housing Commission.

Enterprise Community

The Clare County Enterprise Community is governed by an 18-member board. Although it is legally separate from the county, it is reported as if it were part of the primary government because its sole purpose is to improve the quality of life of its citizens and promote economic growth.

DISCRETELY PRESENTED COMPONENT UNITS

The component unit column in the government-wide financial statements (Exhibits A and B) include the financial data of the Clare County Road Commission, Clare County Economic Development Corporation, Clare County Department of Public Works and the Clare County Drain to emphasize that they are legally separate from the county.

Each discretely presented component unit is reported in a separate column in the Component Unit's Statement of Net Assets (Exhibit I) and the Statement of Activities (Exhibit J).

Clare County Road Commission

The Clare County Road Commission, which is established pursuant to the County Road Law, Michigan Compiled Law (MCL) 224.1, is governed by an elected 3-member board of county road commissioners. The Road Commission may not issue debt or levy a tax without the approval of the county board of commissioners. If approval is granted, the Road Commission's taxes are levied under the taxing authority of the county, as approved by the county electors, and would be included as part of the county's total tax levy as well as reported in the County Road Fund.

Clare County Economic Development Corporation

The Clare County Economic Development Corporation (EDC), which was established pursuant to the provisions of Public Act 338 of 1974, as amended, is governed by a 9 person board of directors appointed by the Clare County Board of Commissioners. The EDC may not issue debt without the county's approval.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Clare County Drain Commissioner

Pursuant to the Drain Code of 1956, the Drain Commissioner has the responsibility to administer the State Drain Code. The Drain Commissioner is responsible for planning, developing, and maintaining surface water drainage systems within the county. The Drain Commissioner may issue debt or levy a tax as authorized by the Drain Code without the approval of the county board of commissioners. The combining financial statements for the Department of Public Works are presented as part of supplemental schedules (Exhibits AB 1-4).

Clare County Department of Public Works

Pursuant to MCL 123.732, the County of Clare entered into a program of water supply and sanitary sewer facility construction. The Department of Public Works is under the general control of the county board of commissioners and under the immediate control of a Board of Public Works, which includes the County Drain Commissioner. The Board of Public Works is considered an agency of the county. The board manages water supply and sanitary sewer system construction projects that are bonded by the County of Clare. Bonds issued are authorized by an ordinance or a resolution approved by the Board of Public Works and adopted by the Clare County Board of Commissioners. The combining financial statements for the Department of Public Works are presented as part of supplemental schedules (Exhibits AA 1-4).

Complete financial statements of the individual component units can be obtained from their respective administrative offices or from the county clerk's office at the courthouse.

Administrative Offices

Clare County Building Authority
225 West Main Street
Harrison, Michigan 48625

Clare County Housing Commission
225 West Main Street
Harrison, Michigan 48625

Clare County Enterprise Community
225 West Main Street
Harrison, Michigan 48625

Clare County Economic Development Corporation
225 West Main Street
Harrison, Michigan 48625

Clare County Road Commission
3900 East Mannsiding Road
Harrison, Michigan 48625

Clare County Transit Corporation
4175 North Clare Avenue
Harrison, Michigan 48625

Clare County Drain Commissioner
225 West Main Street
Harrison, Michigan 48625

Clare County Department of Public Works
225 West Main Street
Harrison, Michigan 48625

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

JOINTLY GOVERNED ORGANIZATIONS

Central Michigan District Health Department

Clare, Gladwin, Arenac, Isabella, Osceola and Roscommon Counties participate jointly in the operation of the Central Michigan District Health Department. All of the financial operations of the District Health Department are recorded in the records of Isabella County.

The funding formula approved by the member counties is based pro rata on each unit's population and equalized valuation to the district's total population and valuation. Member counties' percentages of the net operating budget for the year of 2003 were:

Clare	16.86%	Isabella	28.48%
Gladwin	14.38%	Osceola	12.46%
Arenac	10.54%	Roscommon	17.28%

Clare County's appropriation to the District Health Department for the year ended September 30, 2003 was \$188,472, which included \$19,038 cigarette tax.

Central Michigan Community Mental Health Services

The Central Michigan Community Mental Health Services Board consists of the Counties of Clare, Gladwin, Isabella, Mecosta, Midland and Osceola. Financial records for the board are recorded and maintained by Isabella County. The funding formula is based on the ratio of population of each county to the total district's population for the net cost of administration and district programs and 100 percent of the net costs of the individual county programs. For the fiscal year ended September 30, 2003, the actual county contribution percentages were:

Clare	12.49%	Mecosta	15.00%
Gladwin	8.22%	Midland	35.41%
Isabella	19.44%	Osceola	9.44%

Clare County's appropriation to Central Michigan Community Mental Health Services for the year ended September 30, 2003 was \$139,000.

RELATED ORGANIZATION

Clare Gladwin Services for the Aging (CGSA)

Pursuant to MCL 400.571, Clare County entered into an agreement with the Housing Commission of the City of Gladwin to provide services to persons age 60 and over. The Housing Commission is a component unit of the City of Gladwin. Services are provided through commission programs administered by the Clare-Gladwin Services for the Aging (CGSA). Clare County levies the millage and provides appropriations to the CGSA.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets are approved by the County and the Housing Commission. The amount provided to CGSA by Clare County for the year ended September 30, 2003 was \$401,761.

Northern Michigan Substance Abuse Services, Inc. (NMSAS)

Clare County, in conjunction with thirty-one (31) other counties, has entered into an agreement which created the Northern Michigan Substance Abuse Services, Inc. This organization's board is composed of one member appointed by the board of commissioners from each of the participating counties. The county's financial responsibility is to pass through 50% of the Convention and Liquor Tax revenues received to the NMSAS. For the year ended September 30, 2003, the county passed through \$52,294.

BASIS OF PRESENTATION

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when it is both measurable and available. Revenues are considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual, that is, when they become both measurable and available to finance expenditures of the fiscal period. Intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Although the county's 2007 ad valorem tax is levied and collectible on December 1, 2007, it is the county's policy to recognize revenue from the current tax levy in the subsequent year or the current year when the proceeds of this levy are budgeted and made "available" for the financing of operations. "Available" means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period (90 days). Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period.

The county reports the following major governmental funds:

The General Fund is the county's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Gypsy Moth Fund accounts for county millage revenue that is reserved for the control of the insect population.

Revenue Sharing Reserve Fund accounts for recording of the operating millage to be levied in the summer.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The county reports the following major proprietary funds:

Delinquent Tax Revolving Fund accounts for the county's annual purchase of delinquent real property taxes from each of the local taxing units within the county and the ultimate collection from the property owners of the delinquent taxes with penalty and interest. The fund also accounts for the county's issuance of debt when needed (to provide cash flow for the purchase of the taxes) and for the resulting debt service payment.

Public Transit Fund accounts for the transportation service operation of the county.

Additionally, the county reports the following fund type:

Internal Service Funds--These funds account for services provided to other departments or agencies of government, or to other governments, on a cost reimbursement basis.

Agency Funds--These funds account for assets held on behalf of outside parties, including other governments.

Private-sector standards of accounting and financial reporting, issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The county has elected to consistently apply all applicable Financial Accounting Standards Board (FASB) pronouncements issued subsequent to November 30, 1989 in accounting and reporting for its proprietary operation.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Delinquent Tax Fund, the Transit Fund, and the Jail Commissary Fund are collection fees for delinquent taxes, busing services, and sales commissions, respectively. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

When both restricted and unrestricted resources are available for use, it is the county's policy to use restricted resources first, then unrestricted resources as needed.

Deposits and Investments

The cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less from the date of acquisition. The statement of cash flows includes both restricted and unrestricted cash and cash equivalents. Investments are stated at fair value and short-term investments are reported at cost, which approximates fair value. Earnings from investments are allocated to numerous funds as required by Federal regulations, State statutes and local ordinances.

Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or for resources that have been received, but not yet earned.

Inventories and Prepaid Items

Inventories are valued at cost, using the consumption method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Inventories--Component Units

Road Commission--Inventories consisting of equipment parts and supplies of \$182,748 and road materials of \$125,600 are recognized using the consumption method (inventories are recorded as expenditures when they are used). Inventories are recorded at average cost which approximates market.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets--Primary Government and Drain Component Unit

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

	<u>Primary Government</u>		<u>Component Unit</u>
	<u>Governmental Funds</u>	<u>Transit Corporation</u>	<u>Drain</u>
Building	40 years	12 to 20 years	
Shop Equipment		3 to 10 years	
Office Furniture and Equipment	3 to 7 years	6 to 10 years	
Vehicles	5 to 7 years	3 to 7 years	
Drain and Lake Level System			50 years

Capital Assets--Transit (Blended Component Unit)

Capital assets are stated at historical cost. Costs relating to maintenance and repairs are charged to expense, whereas those for renewals and betterments, when significant in amounts, are capitalized. Provisions for depreciation of equipment are computed on the straight-line method. Depreciation rates are designed to amortize the cost of the assets over their estimated useful lives as follows:

Operating Facility	12 to 20 years
Vehicles	3 to 7 years
Shop Equipment	3 to 10 years
Office Equipment	6 to 10 years

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets--Road Commission (Component Unit)

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items) are reported in the Operating Fund in the government-wide financial statements. Capital assets are defined by Clare County Road Commission as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Depreciation on Road Commission capital assets is computed on the sum-of-the-years'-digits method for road equipment and straight-line method for all other capital assets. The depreciation rates are designed to amortize the cost of the assets over their estimated useful lives as follows:

Buildings	30 to 50 years
Road Equipment	5 to 8 years
Shop Equipment	10 years
Engineering Equipment	4 to 10 years
Office Equipment	4 to 10 years
Infrastructure--Roads	8 to 30 years
Infrastructure--Bridges	12 to 50 years

Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or for resources that have been received, but not yet earned.

Compensated Absences (Vacation and Sick Leave)--Primary Government

It is the county's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. The liability for unpaid accumulated sick leave is only 50% of the time available according to the county's union contracts and personnel policies. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported only in governmental funds for employee terminations as of year end.

Compensated Absences (Vacation and Sick Leave)--Transit (Blended Component Unit)

Transit employees are granted vacation and sick leave in varying amounts. In the event of termination, an employee is paid for certain portions of unused accumulated vacation and sick time.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences (Vacation and Sick Leave)--Road Commission (Discrete Component Unit)

Road Commission employees are granted vacation and sick leave in varying amounts based on years of service. In the event of termination, an employee is paid for certain portions of unused accumulated vacation and sick time.

Long-Term Obligations

In the government-wide financial statements and proprietary fund type statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Assets. For new bond issuances after the implementation of GASB Statement No. 34, bond premiums and discounts as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of the following: assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Other Financing Sources (Uses)

The transfers of cash between the various county funds are budgeted but reported separately from revenues and expenditures as operating transfers in or (out), unless they represent temporary advances that are to be repaid, in which case, they are carried as assets and liabilities of the advancing or borrowing funds.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS

NOTE B--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

Budgets are adopted by the county board of commissioners for the general and special revenue funds, except for the County Road Fund budget (special revenue--component unit), which is adopted and administered by the board of county road commissioners. The budget basis of accounting does not differ significantly from the modified accrual basis used to reflect actual revenues and expenditures for these funds. The budget document presents information by fund, function, department and line-items. The budget is adopted at the line-item level and control is exercised at the line-item level. The county board of commissioners monitors and amends the budgets as necessary.

Public Act 2 of 1968, as amended, requires the adoption of a balanced budget for general and special revenue funds, as well as budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget.

The county has not complied with certain provisions of Public Act 2 of 1968, as amended. Expenditures were incurred in excess of amounts appropriated in the amended budgets for the activities or functions of the General Fund and special revenue funds are as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
General Fund			
Board of Commissioners			
Salary	\$ 50,999	\$ 51,607	\$ (608)
FICA Expense	4,712	4,751	(39)
Medicare Expense	1,102	1,111	(9)
Travel & Expense	15,140	15,469	(329)
Circuit Court			
Office Supplies	3,000	3,142	(142)
Postage	715	963	(248)
Trial Court Attorneys	140,000	146,745	(6,745)
Transcripts	2,000	2,264	(264)
Travel & Expense	356	419	(63)
District Court			
Full-Time Salaries	296,670	303,027	(6,357)
Part-Time	21,600	21,921	(321)
Office Supplies	10000	10029	(29)
Court Appointed Attorneys	112,640	116,550	(3,910)
Witness Fees	8,000	9,429	(1,429)
Travel & Expense	3,750	3,829	(79)
New Law Books	2,400	2,905	(505)

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS

NOTE B--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

	<u>Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
General Fund			
Probate Court			
Court Appointed Attorneys	60,650	62,165	(1,515)
Dues & Subscriptions	1,435	1,561	(126)
Maintenance Contracts	12,835	12,958	(123)
Telephone	5,300	5,410	(110)
Probate Juvenile			
Gas Oil & Grease	2,400	2,487	(87)
County Administrator			
Full-Time Administrative Assistant	30,018	30,359	(341)
County Clerk			
Salary	17,873	17,876	(3)
Equalization			
Full-Time Salaries	53,330	56,105	(2,775)
Script Reimbursement	750	1,050	(300)
Prosecutor			
Assistant Salary	70,631	73,824	(3,193)
Postage	4,000	4,484	(484)
Contract Services	3,500	4,364	(864)
Witness Fees	1,000	1,920	(920)
Ouil Blood Tests	2,000	2,473	(473)
Equipment Maintenance Contracts	2,374	3,584	(1,210)
Telephone	3,250	3,283	(33)
New Law Books	6,542	7,068	(526)
Register of Deeds			
Full-Time Salaries	95,233	95,337	(104)
Abstract Department			
Full-Time Salaries	11,699	11,823	(124)
Remonumentation			
Professional Consultation	71,283	71,363	(80)
County Treasurer			
Full-Time Salaries	77,268	80,142	(2,874)
FICA Expense	7,607	7,715	(108)
Medicare Expense	1,780	1,804	(24)
Cooperative Extension			
Travel & Expense	6,242	6,321	(79)
Computers			
Salary	29,965	30,018	(53)
Courthouse & Grounds			
Full-Time Salaries	25,681	25,682	(1)
Script Reimbursement	375	405	(30)
Gas Oil & Grease	1,700	1,706	(6)
Lights--Consumers	42,000	43,167	(1,167)
Sewer & Water	7,225	7,628	(403)
Building Repairs & Maintenance	20,745	21,368	(623)
Equipment Repairs & Maintenance	1,250	1,458	(208)

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS

NOTE B--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

	<u>Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
General Fund			
Duplicating Department			
Maintenance Contracts	6,828	7,390	(562)
Sheriff			
Undersheriff Salary	46,268	47,656	(1,388)
Overtime--CID	6,725	6,841	(116)
Gas Oil & Grease	99,000	99,876	(876)
Health Services Employees	4,000	4,195	(195)
Vehicle Repairs & Maintenance	47,713	49,298	(1,585)
Office Equipment Maintenance--Lein		1,639	(1,639)
Harrison City Contract			
Overtime	3,626	3,964	(338)
Holidays	2,178	4,788	(2,610)
Secondary Road Patrol Grant			
Salary	38,251	38,732	(481)
Jail & Corrections			
Uniforms & Accessories	2,665	3,144	(479)
Prisoners Meals	265,937	271,098	(5,161)
Health Services Counties	53,525	71,113	(17,588)
Health Services--Renters	60,000	66,753	(6,753)
Office Equipment Maintenance--Lein		820	(820)
Court Security			
PT Security Other	8,600	8,968	(368)
Animal Control			
Part-Time	41,241	42,756	(1,515)
Gas Oil & Grease	7,600	7,642	(42)
Telephone	2,340	2,461	(121)
Utilities	22,000	22,075	(75)
Solid Waste			
Salary	14,672	15,716	(1,044)
Contagious Diseases			
Health Services	1,000	1,152	(152)
Medical Examiner			
Service & Investigations	15,000	15,194	(194)
Autopsies	46,150	54,583	(8,433)
Veterans Affairs			
Director Salary	31,187	31,188	(1)
Insurance & Bonds			
County Portion--Retirement	302,918	306,563	(3,645)
Tax Appeals Adjustment			
Tax Appeals Adjustment	6,739	6,773	(34)
Parks and Recreation			
Parks Projects			
Part-Time	5,847	6,276	(429)
FICA Expense	364	389	(25)
Medicare Expense	85	91	(6)
Roadside Park/Contractual		117	(117)

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS

NOTE B--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

	<u>Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Building Department Fund			
Building Inspector			
Vacations		2,766	(2,766)
Sick Leave		1,479	(1,479)
Electrical Inspector			
Electrical Inspector Salary	32,686	32,803	(117)
Service Fund			
Part-Time	103,440	104,335	(895)
Overtime	20,143	21,153	(1,010)
Clare County Council on Aging			
Tax Appeals Adjustment	600	747	(147)
Health Services--Renters	60,000	66,753	(6,753)
Office Equipment Maintenance--Lein		820	(820)

Fund Deficits

As of September 30, 2007, a deficit existed in the unreserved fund balance (governmental funds) and unreserved net assets (proprietary fund) in the following funds:

	<u>Fund Balance</u>	<u>Net Assets</u>
Special Revenue Funds		
911 Service Fund	\$ 2,437	
Law Library Fund	301	
Internal Service		
Technology Fund		\$12,925
Component Unit--Drain Commission		
Lake Improvement Revolving Fund	73,992	

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS

NOTE C--CASH, CASH EQUIVALENT AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the county to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities, and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The county has designated nine financial institutions for deposit of the county funds. The investment policy adopted by the board is in accordance with Public Act 196 of 1997 and has authorized investment in accordance with the State statutory authority as listed above.

At year end, Clare County's deposits and investments were reported in the basic financial statements in the following categories:

	Carrying Amounts				
	Governmental Activities	Business-Type Activities	Fiduciary Funds	Total Primary Government	Component Units
<u>Cash and Deposits</u>					
Cash and Cash Equivalents	\$ 3,520,698	\$ 1,127,217	\$2,001,901	\$ 6,649,816	\$ 843,796
Investments	<u>2,562,479</u>	<u>2,450,775</u>	<u>59,861</u>	<u>5,073,115</u>	<u>114,041</u>
Total	<u>\$ 6,083,177</u>	<u>\$ 3,577,992</u>	<u>\$2,061,762</u>	<u>\$11,722,931</u>	<u>\$ 957,837</u>

The breakdown between deposits and investments, as follows:

	Primary Government	Component Units
Bank Deposits (Checking and Savings Accounts, Certificates of Deposit)	\$ 6,613,261	\$ 843,546
Investments in Securities, Mutual Funds and Similar Vehicles	5,073,115	114,041
Petty Cash and Cash on Hand	<u>36,555</u>	<u>250</u>
Total	<u>\$11,722,931</u>	<u>\$ 957,837</u>

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS

NOTE C--CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Custodial Credit Risk

The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the county's deposits may not be recovered.

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are:

- a. Uncollateralized;
- b. Collateralized with securities held by the pledging financial institution; or
- c. Collateralized with securities held by the pledging financial institution's trust department or agent but not in the depositor-government's name.

The county's policy requires the following criteria to lessen the custodial credit risk: To secure county funds, all financial institutions holding the county's money must pledge collateral equal to the amount of the account balance for all demand and time deposits. A bank, savings and loan association or credit union holding county funds must be organized under the law of Michigan or Federal law and maintain a principal office or branch office in the State of Michigan. No deposit in any financial organization may be in excess of 25 percent of the net worth of the organization.

At September 30, 2007, the bank balance of the primary government's deposits is \$6,190,306, of which \$498,408 is covered by Federal depository insurance and \$5,728,453 was uncollateralized with securities held by the county's agent in the county's name. The component units' deposits had a bank balance of \$957,559 of which \$100,000 was covered by Federal depository insurance and \$857,559 was uncollateralized with securities held by the county's agent in the county's name.

Types of Investments

Common cash investments include money markets, government bonds, and US government securities.

Risk

In accordance with GASB Statement No. 40, investments also require certain disclosures regarding policies and practices with respect to the risks associated with them. The custodial credit risk, the credit risk and the interest rate risk are discussed in the following paragraphs.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS

NOTE C--CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, the county will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government and are held by either:

The counterparty; or

The counterparty's trust department or agent but not in the government's name.

The county does not have an investment policy for managing custodial credit risk. At September 30, 2007, common cash investments were not exposed to custodial credit risk.

Credit Risk

Credit risk is the risk that an issuer or another counter party to an investment will not fulfill its obligations. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) Michigan law, the county's investment policy, or debt agreements, and the actual rating as of year end for each investment type.

		Rated Debt Investments				
<u>Financial Institution</u>	<u>Investment Type</u>	<u>Fair Value</u>	<u>Credit Rating</u>	<u>Rating Institution</u>	<u>Credit Rating</u>	<u>Rating Institution</u>
<u>Primary Government</u>						
National City	Municipal Investment Funds	\$ 1,633,352	Unrated			
Chemical Bank	U.S. Treasury Securities	822,388	AAAm	S&P	Aaa	Moody's
MBIA Class	Money Market Funds	897,920	AAA	Fitch		
LaSalle Bank	Mutual Funds	1,244,882	AAAm	S&P	Aaa	Moody's
JP Morgan Chase	Governmental Operating MM	84,969	Unrated			
Flagstar Bank	Certificate of Deposit	323,756	Unrated			
Citigroup	U.S. Treasury Securities	65,845	AAA			
	Total	<u>\$ 5,073,112</u>				
<u>Component Units</u>						
National City	Municipal Investment Funds	\$ 114,041	Unrated			

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS

NOTE C--CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The county's policy states that cash equivalents are invested in short-term fixed income securities with an average weighted maturity of less than one year to provide liquidity and safety of principal from capital market and default risk. At September 30, 2007, the fair value of the county's investments are listed above with all maturities due within 12 months or less.

NOTE D--PROPERTY TAXES

Primary Government

Property Taxes

The county property tax is levied each December 1st based on the taxable valuation of property located in the county as of the preceding December 31st.

Although the county's 2006 ad valorem tax is levied and collectible on December 1, 2006, it is the county's policy to recognize revenues from the current tax levy in the subsequent year when the proceeds of this levy are budgeted and made available for the financing of county operations.

The 2006 taxable valuation of Clare County amounted to \$922,165,384 on which ad valorem taxes of 4.7105 mills were levied for the County operating purposes, .4729 mills for Senior Citizens, .2956 mills for Transit Service, and .3448 for 911 Services.

The 2006 current tax levied included \$6,026,473 for County Operations, \$436,092 for Senior Citizens, \$272,952 for Transit Services, and \$317,963 for 911 Services. These taxes will be recorded as revenue on county records in and for the year of 2007.

The taxes receivable is recorded in the financial statements as taxes receivable--current for the summer operating millage collected with 60 days after fiscal year end.

NOTE E--RECEIVABLES

Taxes Receivable--Delinquent

The taxes receivable--delinquent of \$2,021,463 recorded in the Delinquent Tax Revolving Fund consists of uncollected real property taxes levied prior to 2006. The delinquent real property taxes may be summarized as follows:

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS

NOTE E--RECEIVABLES (Continued)

2006	\$ 1,683,491
2005	273,579
2004	25,392
2003	17,679
2002 and Prior	<u>21,322</u>
Total Delinquent Taxes Receivable	<u><u>\$ 2,021,463</u></u>

Receivables--Primary Government

The following amounts listed as accounts receivable in the governmental funds have been collected within 90 days after the year end and are not offset by deferred revenue:

General Fund

Restitutions and Refunds	\$ 959
Court Reimbursements for Judges Insurance From Gladwin County	15,700
Sheriff Department Reimbursements and Miscellaneous Fees	55,534
Sheriff Department--Inmate Medical	13,350
Sheriff Department--Housing of Inmates/Other Counties	162,088
Waste Management Royalty for July - September	104,540
Enterprise Community Benchmark	2,000
September Departmental Transmittal Advices	<u>18,226</u>

Total General Fund Accounts Receivable	<u><u>\$372,397</u></u>
--	-------------------------

Special Revenue Fund--Parks and Recreation

Road Commission Allocation	<u><u>\$ 500</u></u>
----------------------------	----------------------

Special Revenue--911 Service Fund

Telephone Surcharges for September	<u><u>\$ 14,851</u></u>
------------------------------------	-------------------------

Special Revenue--Local Corrections Officers Fund

Jail Fees	<u><u>\$ 130</u></u>
-----------	----------------------

Enterprise Fund--Delinquent Tax Fund

Tax Forfeiture Fees	<u><u>\$ 8,416</u></u>
---------------------	------------------------

Enterprise Fund--Transit Fund

Transit Fares	<u><u>\$ 16,382</u></u>
---------------	-------------------------

Enterprise Fund--Jail Commissary

Commissary Fees	<u><u>\$ 1,547</u></u>
-----------------	------------------------

Internal Service Fund--Health Care

Insurance Reimbursements	<u><u>\$ 1,752</u></u>
--------------------------	------------------------

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS

NOTE E--RECEIVABLES (Continued)

Receivables--Component Units

The receivables for the component units are presented in the financial statements as follows:

Road Commission

The Road Commission reports accounts receivable of \$14,682 as a sundry receivable for work done for residents and private companies that have not yet been collected.

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Housing Commission		
Notes Receivable--Personal	\$ 37,160	\$ 37,160
Notes Receivable--Business	7,422	7,422
Notes Receivable--Deferred Notes	1,440,250	1,440,250
Land Contracts	<u>20,304</u>	<u>20,304</u>
Total Housing Commission	1,505,136	1,505,136
Parks and Recreation		
Donations Received Prior to Meeting all Eligibility Requirement	33,675	33,675
Enterprise Community		
Grant Drawdowns Prior to Meeting all Eligibility Requirements	10,692	10,692
TSA Grant		
Grant Drawdowns Prior to Meeting all Eligibility Requirements	<u>11,886</u>	<u>11,886</u>
Total	<u>\$1,561,389</u>	<u>\$1,561,389</u>

Special Assessments Receivable--Component Unit

The Drain Commission has long-term special assessments recorded in the Drain Fund of \$102,128 at September 30, 2007. The special assessment receivables are recorded in the fund financial statements as special assessment receivable with an offsetting credit to deferred revenue.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS

NOTE F--CAPITAL ASSETS

Primary Government

Capital asset activity of the primary government for the current year was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated				
Land	\$ 108,325			\$ 108,325
Construction in Progress		\$ 22,965		22,965
Subtotal	108,325	22,965	\$ -	131,290
Capital Assets Being Depreciated				
Buildings and Improvements	6,271,348	26,445		6,297,793
Vehicles	1,155,155	126,324		1,281,479
Furniture and Equipment	1,349,573	70,313		1,419,886
Subtotal	8,776,076	223,082	-	8,999,158
Less Accumulated Depreciation for				
Buildings and Improvements	2,825,497	138,846		2,964,343
Vehicles	975,925	101,453		1,077,378
Furniture and Equipment	841,646	138,731		980,377
Subtotal	4,643,068	379,030	-	5,022,098
Net Capital Assets Being Depreciated	4,133,008	(155,948)	-	3,977,060
Governmental Activities Capital Total				
Capital Assets--Net of Depreciation	<u>\$ 4,241,333</u>	<u>\$ (132,983)</u>	<u>\$ -</u>	<u>\$ 4,108,350</u>

Depreciation expense was charged to programs of the primary government as follows:

<u>Governmental Activities</u>	<u>Amount</u>
General Government	\$ 70,327
Public Safety	308,703
Total Depreciation--Governmental Activities	<u>\$ 379,030</u>

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS

NOTE F--CAPITAL ASSETS (Continued)

<u>Business-Type Activity--Public Transit</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Being Depreciated				
Operating Facility	\$ 760,010			\$ 760,010
Vehicles	2,166,308	\$ 251,834	\$ 149,131	2,269,011
Shop Equipment	75,293	3,275		78,568
Office Furniture and Equipment	101,675	8,991		110,666
Subtotal	3,103,286	264,100	\$ 149,131	3,218,255
Less: Accumulated Depreciation for				
Operating Facility	429,275	43,665		472,940
Vehicles	1,199,096	290,693	149,131	1,340,658
Shop Equipment	56,432	4,754		61,186
Office Furniture and Equipment	83,779	5,716		89,495
Subtotal	1,768,582	344,828	149,131	1,964,279
Net Capital Assets Being Depreciated	1,334,704	(80,728)	-	1,253,976
Total Capital Assets--Net of Depreciation	<u>\$ 1,334,704</u>	<u>\$ 264,100</u>	<u>\$ 344,828</u>	<u>\$ 1,253,976</u>

Depreciation expense of \$344,828 was charged to business-type programs of the primary government.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS

NOTE F--CAPITAL ASSETS (Continued)

Component Units

The following is a summary of changes in the capital assets for the Road Commission:

	Beginning Balances	Increases	Decreases	Ending Balances
Capital Assets Not Being Depreciated				
Land and Improvements	\$ 187,883			\$ 187,883
Subtotal	187,883	\$ -	\$ -	187,883
Capital Assets Being Depreciated				
Buildings	1,090,959	5,000		1,095,959
Road Equipment	5,656,604	242,773	278,963	5,620,414
Shop Equipment	126,030	30,660	6,799	149,891
Office Equipment	99,494	2,855		102,349
Engineers' Equipment	39,177			39,177
Yard and Storage	102,663			102,663
Infrastructure--Bridges	5,729,084	36,035		5,765,119
Infrastructure--Roads	35,512,928	2,143,479		37,656,407
Total	48,356,939	2,460,802	285,762	50,531,979
Less Accumulated Depreciation				
Buildings	691,521	36,537		728,058
Road Equipment	4,357,516	430,146	241,021	4,546,641
Shop Equipment	101,306	7,181	6,799	101,688
Office Equipment	78,286	8,093		86,379
Engineers' Equipment	24,936	2,100		27,036
Yard and Storage	61,640	5,824		67,464
Infrastructure--Bridges	1,757,857	127,768		1,885,625
Infrastructure--Roads	14,061,732	1,745,831		15,807,563
Total	21,134,794	2,363,480	247,820	23,250,454
Net Capital Assets Being Depreciated	27,222,145	97,322	37,942	27,281,525
Total Net Capital Assets	<u>\$ 27,410,028</u>	<u>\$ 97,322</u>	<u>\$ 37,942</u>	<u>\$ 27,469,408</u>

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS

NOTE F--CAPITAL ASSETS (Continued)

Drain Commission--Discretely Presented Component Unit

<u>Drain Commission</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Being Depreciated				
Infrastructure				
Drains	\$ 998,840	\$ 1,438		\$ 1,000,278
Lake Levels	171,488	6,320		177,808
Subtotal	1,170,328	7,758	\$ -	1,178,086
Less Accumulated Depreciation for				
Infrastructure				
Drains	325,888	17,284		343,172
Lake Levels	50,046	3,466		53,512
Subtotal	375,934	20,750	-	396,684
Net Capital Assets Being Depreciated	794,394	(12,992)	-	781,402
Drain Commission--Component Unit				
Total Net Capital Assets	<u>\$ 794,394</u>	<u>\$ (12,992)</u>	<u>\$ -</u>	<u>\$ 781,402</u>

The depreciation expense for the year was \$20,750 and was charged to the Drain Commission operations.

NOTE G--INTERFUND RECEIVABLES, PAYABLES, ADVANCES, AND TRANSFERS

The amounts of interfund receivables and payables between funds of the primary government are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
Delinquent Tax Revolving Fund	\$240,846		
Revenue Sharing Fund	567,175	General	\$808,021
Total Primary Government	<u>\$808,021</u>		<u>\$808,021</u>

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS

NOTE G--INTERFUND RECEIVABLES, PAYABLES, ADVANCES, AND TRANSFERS (Continued)

The amounts of interfund receivables and payables between discretely presented component units are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
Drain Revolving	\$ 7,745	Drain	\$ 7,745
Lake Level Revolving	<u>23,404</u>	Lake Level	<u>23,404</u>
Total Component Units	<u>\$ 31,149</u>		<u>\$ 31,149</u>

The long-term advances to other funds, which represent long-term interfund receivables and payables that are not available to finance current operations, are as follows:

<u>Fund</u>	<u>Advances to Other Funds</u>	<u>Fund</u>	<u>Advances From Other Funds</u>
Primary Government			
Delinquent Tax Revolving	\$ 481,276	General Fund	\$240,846
		Nonmajor Governmental	209,154
		Internal Service	<u>31,276</u>
Total Primary Government	<u>\$ 481,276</u>		<u>\$481,276</u>
<u>Primary Government and Discrete Component Units</u>			
Primary Government		Component Units	
General	\$ 103,185	Drain Revolving	\$ 29,695
Delinquent Tax Revolving	150,000	Lake Level Revolving	53,490
		Lake Improvement Revolving	<u>170,000</u>
Total Primary Government	<u>\$ 253,185</u>		<u>\$253,185</u>
Total Reporting Entity	<u>\$ 734,461</u>	Total Reporting Entity	<u>\$734,461</u>

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS

NOTE G--INTERFUND RECEIVABLES, PAYABLES, ADVANCES, AND TRANSFERS (Continued)

The 2007 operating transfers from Exhibits D, F, and K can be summarized as follows:

	<u>Transfers In</u>	<u>Transfers (Out)</u>
Primary Government		
General Fund	\$ 973,657	\$2,166,979
Revenue Sharing Reserve	1,132,437	602,407
Nonmajor Governmental	1,049,547	15,005
Delinquent Tax Fund		371,250
	<u>3,155,641</u>	<u>3,155,641</u>
Total Primary Government		
	<u>3,155,641</u>	<u>3,155,641</u>
Total Reporting Entity		
	<u>\$3,155,641</u>	<u>\$ 3,155,641</u>

NOTE H--LONG-TERM DEBT

The long-term debt and other long-term obligations of the county's governmental funds, and the changes therein, may be summarized as follows:

	<u>Balance 10/01/06</u>	<u>Additions (Reductions)</u>	<u>Balance 09/30/07</u>	<u>Due Within One Year</u>
<u>PRIMARY GOVERNMENT</u>				
Clare County Jail addition 4.6% to 5.1% 1997 Municipal Purchase Notes for construction of the jail addition	\$ 880,000	\$ (430,000)	\$ 450,000	\$450,000
County Building Authority 4.0% to 5.050% 1998 Refunding Bonds for refunding 1994 General Obligation Bonds for addition to and renovation of county courthouse	1,045,000	(55,000)	990,000	60,000
Clare County equipment lease-purchase agreement payable to GE Commercial Finance Company	51,409	(9,839)	41,570	10,491
Clare County Brownfield Redevelopment Loan for the HAEDCO Industrial Park Project		51,475	51,475	
Vested Employee Benefits Payable (See Note I for more details)	<u>281,121</u>	<u>20,616</u>	<u>301,737</u>	
Total Primary Government	<u>\$2,257,530</u>	<u>\$ (422,748)</u>	<u>\$ 1,834,782</u>	<u>\$520,491</u>

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS

NOTE H--LONG-TERM DEBT (Continued)

Discretely Presented Component Units

The following is a summary of pertinent information concerning the Road Commission's changes in long-term debt:

	<u>Balance 10/01/06</u>	<u>Additions (Reductions)</u>	<u>Balance 09/30/07</u>	<u>Due Within One Year</u>
Clare County Road Projects 4.1% to 7.625% 1996, 1998, 1999, and 2000 General Obligation Bonds	\$ 650,000	\$ (340,000)	\$ 310,000	\$ 180,000
Purchase of Land. Principal payment of \$20,000 at 7% interest	85,537	(14,012)	71,525	14,993
Vested Employee Benefits	<u>201,977</u>	<u>7,504</u>	<u>209,481</u>	<u> </u>
Totals	<u>\$ 937,514</u>	<u>\$ (346,508)</u>	<u>\$ 591,006</u>	<u>\$ 194,993</u>

	<u>Balance 10/01/06</u>	<u>Additions (Reductions)</u>	<u>Balance 09/30/07</u>	<u>Due Within One Year</u>
--	-----------------------------	-----------------------------------	-----------------------------	--------------------------------

COMPONENT UNITS

Department of Public Works (DPW)

Sanitary Sewage System No. 4, 4% to 5.85% 1996 General Obligation Limited Tax Bonds project with the City of Clare	\$ 445,000	\$ (20,000)	\$ 425,000	\$ 20,000
Clare County Water Supply System No. 1 4% to 5.85% 1996 General Obligation Limited Tax Bonds for project with the City of Clare	400,000	(25,000)	375,000	25,000
Sanitary Sewage System No. 3, 2.50% to 4.05% 2002 General Obligation Limited Tax Refunding Bonds for 1988 project with the City of Clare	<u>845,000</u>	<u>(255,000)</u>	<u>590,000</u>	<u>270,000</u>
Total DPW Component Unit Long-Term Debt	<u>\$ 1,690,000</u>	<u>\$ (300,000)</u>	<u>\$ 1,390,000</u>	<u>\$ 315,000</u>

Drain Component Unit

Note Payable for Little Tobacco Intercounty Drain at 5.27%	\$ 31,336	\$ (15,668)	\$ 15,668	\$ 15,668
Note payable for Bertha Lake Drain 4.95%	94,286	(31,429)	62,857	31,429
Note payable for Ross Drain at 5.1%	<u>36,000</u>	<u>(6,000)</u>	<u>30,000</u>	<u>6,000</u>
Total Drain Component Unit Long-Term Debt	<u>\$ 161,622</u>	<u>\$ (53,097)</u>	<u>\$ 108,525</u>	<u>\$ 53,097</u>

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS

NOTE H--LONG-TERM DEBT (Continued)

Annual Principal and Interest Requirements--Primary Government

The annual requirements to pay the principal and interest on the primary government of the county's direct general long-term debt obligations outstanding at September 30, 2007, are as follows:

Jail Municipal Purchase Notes

The County of Clare issued \$2,965,000 in Municipal Purchase Notes, Series 1997, on October 1, 1997. The bonds were issued under the provisions of Public Act 31 of 1948, as amended, for the purpose of defraying a portion of the costs of acquiring, constructing, furnishing and equipping an addition to the Clare County Jail. The bonds were issued in anticipation of and are payable solely from certain cash rental payments in amounts sufficient to pay principal of and interest on the bonds when due.

<u>Year</u>	<u>Principal July</u>	<u>Interest</u>		<u>Annual Total</u>
		<u>January 1</u>	<u>July 1</u>	
2008	<u>\$ 450,000</u>	<u>\$ 11,475</u>	<u>\$ 11,475</u>	<u>\$ 472,950</u>
	<u><u>\$ 450,000</u></u>	<u><u>\$ 11,475</u></u>	<u><u>\$ 11,475</u></u>	<u><u>\$ 472,950</u></u>

Building Authority Refunding Bonds

During 1998, Clare County refunded and defeased in substance \$1,140,000 of its outstanding 1994 General Obligation Bonds, carrying an interest rate between 5% and 8%, with new debt of \$1,250,000 issued at interest rates varying between 4% and 5.05%. The new debt was dated April 1, 1998. A portion (\$16,712) of the payment to the escrow agent was provided from monies in the county's 1994 series debt service fund. All issuance costs of the transaction were paid from bond proceeds.

The amount of \$1,217,251 was placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the original bonds. As a result, the bonds are considered to be defeased and the liability for the bond has been removed from long-term debt. The advance refunding reduced total debt service payments over the 20 years by approximately \$201,862, which represents an economic gain of approximately \$34,056.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS

NOTE H--LONG-TERM DEBT (Continued)

Principal and interest payments for the 1998 building authority refunding bonds are as follows:

<u>Year</u>	<u>Principal February</u>	<u>Interest</u>		<u>Annual Total</u>
		<u>February 1</u>	<u>August 1</u>	
2008	\$ 60,000	\$ 24,213	\$ 22,848	\$ 107,061
2009	65,000	22,848	21,369	109,217
2010	65,000	21,369	19,858	106,227
2011	70,000	19,858	18,195	108,053
2012	75,000	18,195	16,395	109,590
2013-2017	440,000	61,139	50,183	551,322
2018-2019	215,000	8,206	2,777	225,983
	<u>\$ 990,000</u>	<u>\$ 175,828</u>	<u>\$ 151,625</u>	<u>\$1,317,453</u>

Lease purchase agreement for the purchase of copier machines was entered into on June 29, 2006 payable to GE Commercial Finance for \$54,115 at an annual interest rate of 4%. Remaining principal and interest requirements over the life of the note are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 10,491	\$ 1,453	\$ 11,944
2009	10,913	1,030	11,943
2010	11,352	591	11,943
2011	8,814	146	8,960
	<u>\$41,570</u>	<u>\$ 1,453</u>	<u>\$ 11,944</u>

A Brownfield Redevelopment Loan with the Department of Environmental Quality was entered into on January 22, 2007 for the HAEDCO Industrial Park Project. The loan is to be paid in annual installments of \$36,163 beginning in January 2012 for 11 years at an interest rate of 2%. As of September 30, 2007, \$51,475 has been borrowed from the loan agreement.

Annual Principal and Interest Requirements--Component Units

The annual requirements to pay the principal and interest on the component unit's direct general long-term debt obligations outstanding at September 30, 2007, are as follows:

Road Commission Bonds Payable (Component Unit)

The general obligation bonds payable is made up of bonds issued on July 24, 1996, June 1, 1998, September 16, 1999 and October 4, 2000 under Act 143 for the purpose of defraying the costs of several road projects. The bonds were issued in denominations of \$5,000 with rates varying from 4.1% to 7.625%. The bonds mature in \$50,000 increments annually over a 10-year period.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS

NOTE H--LONG-TERM DEBT (Continued)

The installment notes payable was entered into on July 10, 2002 for the purchase of land. Principal payments of \$20,000 with an interest rate of 7% are made per year until it is paid off.

Annual Debt Service Requirements

<u>Year</u>	<u>Amount</u>
2008	\$ 215,235
2009	116,535
2010	62,000
2011	<u>24,955</u>
Total Payments	418,725
Less: Interest and Fees	<u>(37,200)</u>
Net Balance Due	<u><u>\$ 381,525</u></u>

Department of Public Works--Component Unit

Sanitary Sewage System No. 4 (City of Clare) General Obligation

The county issued \$630,000 Sewage Disposal System No. 4 (General Obligation Limited Tax) (City of Clare) Bonds on November 6, 1996. The bonds were issued under the provisions of Public Act 185 of 1957, as amended, for the purpose of constructing sewage disposal system improvements to serve the City of Clare. The bonds are payable primarily from monies derived from payments to be made by the city to the county in accordance with the terms of the contract.

<u>Year</u>	<u>Principal November 1</u>	<u>Interest</u>		<u>Annual Total</u>
		<u>May 1</u>	<u>November 1</u>	
2007	\$ 20,000		\$ 11,727	\$ 31,727
2008	20,000	\$ 11,212	11,213	42,425
2009	20,000	10,693	10,692	41,385
2010	35,000	10,167	10,168	55,335
2011	30,000	9,240	9,240	48,480
2012-2016	150,000	34,013	34,011	218,024
2017-2021	<u>150,000</u>	<u>4,312</u>	<u>4,313</u>	<u>158,625</u>
	<u><u>\$ 425,000</u></u>	<u><u>\$ 79,637</u></u>	<u><u>\$ 91,364</u></u>	<u><u>\$ 596,001</u></u>

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS

NOTE H--LONG-TERM DEBT (Continued)

Water Supply System No. 1 (City of Clare) General Obligation

The county issued \$575,000 Water Supply System No. 1 (General Obligation Limited Tax) (City of Clare) Bonds on November 6, 1996. The bonds were issued under the provisions of Public Act 185 of 1957, as amended, for the purpose of constructing water supply system improvements to serve the City of Clare. The bonds are payable primarily from monies derived from payments to be made by the city to the county in accordance with the terms of the contract.

Year	Principal November 1	Interest		Annual Total
		May 1	November 1	
2007	\$ 25,000		\$ 10,374	\$ 35,374
2008	25,000	\$ 9,730	9,730	44,460
2009	25,000	9,080	9,080	43,160
2010	15,000	8,424	8,424	31,848
2011	20,000	8,026	8,026	36,052
2012-2016	110,000	31,867	31,867	173,734
2017-2021	<u>155,000</u>	<u>14,182</u>	<u>14,183</u>	<u>183,365</u>
	<u>\$ 375,000</u>	<u>\$ 81,309</u>	<u>\$ 91,684</u>	<u>\$ 547,993</u>

Sanitary Sewage System No. 3 (City of Clare) Refunding Bonds

During 2002, Clare County Department of Public Works refunded and defeased Clare County Sewage Disposal System No. 3 (City of Clare) General Obligation Bonds dated April 6, 1988 in the amount of \$325,000 and the Clare County Sewage Disposal System No. 3 (City of Clare) General Obligation Refunding Bonds dated June 1, 1993 in the amount of \$1,415,000 of its outstanding General Obligation Bonds, carrying interest rates between 6% and 11% and 2.6% to 5.45%, respectively, with new debt of \$1,810,000 issued at interest rates varying between 2.5% and 4.05%. The new debt was dated March 28, 2002. A portion (\$37,929) of the payment to the escrow agent was provided from prior issue debt service funds. All issuance costs of the transaction were paid from bond proceeds.

The amount of \$1,800,958 was placed in an irrevocable trust with an escrow agent to provide for all future debt service payments on the original bonds. As a result, the bonds are considered to be defeased and the liability for the bonds has been removed from the general long-term debt account group. The advance refunding reduced total debt service payments over the 7 years by approximately \$77,168, which represents an economic gain of approximately \$42,712.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS

NOTE H--LONG-TERM DEBT (Continued)

<u>Year</u>	<u>Principal November 1</u>	<u>Interest</u>		<u>Annual Total</u>
		<u>May 1</u>	<u>November 1</u>	
2007	\$ 270,000		\$ 12,049	\$ 282,049
2008	320,000	\$ 6,480	6,480	332,960
	<u>\$ 590,000</u>	<u>\$ 6,480</u>	<u>\$ 18,529</u>	<u>\$ 615,009</u>

Drain--Component Unit

Little Tobacco Inter-county Drain Note

The Isabella County Drain Commission obtained a promissory note on April 12, 2006 for the Little Tobacco Inter-County Drain. The Clare County Drain Commission's principal and interest requirements over the life of the note are as follows:

<u>Year</u>	<u>Principal May 1</u>	<u>Interest May 1</u>	<u>Annual Total</u>
2008	<u>\$15,668</u>	<u>\$ 839</u>	<u>\$ 16,507</u>
	<u>\$15,668</u>	<u>\$ 839</u>	<u>\$ 16,507</u>

Bertha Lake Drain Note

The drain commissioner obtained a promissory note on November 9, 2001 with Isabella Bank and Trust for \$220,000 at an annual interest rate of 4.95%. Principal and interest requirements over the life of the note are as follows:

<u>Year</u>	<u>Principal May 1</u>	<u>Interest May 1</u>	<u>Annual Total</u>
2008	\$ 31,429	\$ 3,120	\$ 34,549
2009	31,428	1,555	32,983
	<u>\$ 62,857</u>	<u>\$ 4,675</u>	<u>\$ 67,532</u>

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS

NOTE H--LONG-TERM DEBT (Continued)

Ross Drain Note

The drain commissioner obtained a promissory note on September 18, 2002 with Isabella Bank and Trust for \$60,000 at an annual interest rate of 5.1%. Principal and interest requirements over the life of the note are as follows:

<u>Year</u>	<u>Principal July 1</u>	<u>Interest July 1</u>	<u>Annual Total</u>
2008	\$ 6,000	\$ 1,534	\$ 7,534
2009	6,000	1,224	7,224
2010	6,000	918	6,918
2011	6,000	612	6,612
2012	<u>6,000</u>	<u>307</u>	<u>6,307</u>
	<u>\$ 30,000</u>	<u>\$ 4,595</u>	<u>\$ 34,595</u>

NOTE I--COMPENSATED ABSENCES

Accrued Vacation and Sick Leave Payable

The county has an accrued liability for accumulated vested vacation benefits payable and a contingent liability for accumulated sick leave benefits of its employees. As of September 30, 2007, the accumulated vested vacation and sick leave benefits of the employees of various county departments and the Road Commission were as follows:

	<u>Vacation</u>	<u>Sick Leave</u>	<u>Compensatory</u>	<u>Total</u>
Primary Government				
General County	\$ 34,843	\$ 38,129	\$ 36	\$ 73,008
Courts	26,592	49,392		75,984
Sheriff Department	63,345	70,572	13,270	147,187
Housing Commission	<u>3,437</u>	<u>2,121</u>		<u>5,558</u>
Total Primary Government	<u>128,217</u>	<u>160,214</u>	<u>13,306</u>	<u>301,737</u>
Component Unit				
Road Commission	<u>\$194,223</u>	<u>\$ 15,258</u>	<u>\$ -</u>	<u>\$209,481</u>

The accrued liability for compensated absences of the County Transit Corporation employees is recorded in the financial statements of the Transit Fund.

Vacation and Sick Leave Policies

The employment policies for the accumulation of vacation and sick leave benefits vary by contract, as follows:

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS

NOTE I--COMPENSATED ABSENCES (Continued)

Vacation Leave

General county, sheriff department and court employees are credited with annual leave for consecutive service as follows:

After 1 Year Employment	6 Days Annual Leave
After 2 Years Employment	12 Days Annual Leave
After 5 Years Employment	18 Days Annual Leave

Unused vacation leave is carried forward to the next year as follows. Sheriff department employees can carry into the subsequent year $\frac{1}{2}$ of their regular annual leave. Court and county general employees may carry forward 5 vacation days into the next anniversary year, but these days may not be accumulated from year to year.

Upon termination of employment, the balance of accumulated vacation leave is paid in full for sheriff and county general employees. For court employees, this will be a maximum of 28 days.

The nonsupervisory and supervisory employees represented by International Union UAW and its local 1974 (unit 1 and unit 2), respectively, can carry a maximum of 5 days vacation into the next anniversary year and must be used within the next anniversary year. However, it shall be within the department head's sole discretion whether or not to allow the up to 5 days of vacation to be carried over. Any unused vacation time over 5 days shall be lost and not paid for.

The Housing Commission Director is credited with annual leave for consecutive service as follows:

1 Through 5 Years Employment	10 Days Annual Leave
After 5 Years Employment	18 Days Annual Leave

The Housing Commission Director may carry unused vacation days forward to the next anniversary date, to a maximum of 40 days.

Road Commission employees (component unit), after 6 months of service, are credited with 8 hours vacation leave per month, and an additional 2 to 7 days based on years of service exceeding 4 years. Unused vacation leave is carried forward to the next year but leave time in excess of 240 hours is forfeited.

The liability for vested paid time off is charged to expense with a corresponding liability. Effective October 1, 1997, all full-time and regular part-time drivers and dispatchers, mechanics, clerical and janitorial employees of the Clare County Transit Corporation earn paid time off (PTO).

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS

NOTE I--COMPENSATED ABSENCES (Continued)

For straight time worked, including paid leave but not overtime, paid time off is credited based upon a varying scale as defined in the collective bargaining agreement. This scale shows 1 hour of time off for each 20 hours worked for employees with 0 time through 4 years of service. It increases with years of service to a maximum of 1 hour of time off for each 15 hours worked for employees with 10 years of service. An employee may accumulate up to 320 hours of paid time off.

Upon termination, other than discharge for cause, after 1 year of service due to resignation with 2 weeks' notice, death, retirement or layoff, an employee shall be paid for all paid time off (PTO) time accrued through the date of termination.

Administrative employees, including the manager and operations supervisor, earn paid days off (PTO) in a similar manner to the covered employees. These employees earn 2.31 hours of paid time off for each week for 0 years of service to 4.62 hours of paid time off for each week for 12 years of service. They may not accumulate hours in excess of two times their annual accumulation rate. Paid time off in excess of two times the annual accrual rate will be paid to the employee at Clare County Transit Corporation's fiscal year end at the employees' current rate of pay.

Administrative employees who leave their employment for any reason other than termination, and who give a minimum of 4 weeks notice are entitled to a payout for all remaining paid time off hours. Administrative employees may also elect to receive payment of paid time off instead of accumulation.

Sick Leave

General county employees earn 1 day of sick leave per month after their probationary periods, and are paid annually for ½ of their accumulated leave in excess of 70 days. Upon voluntary termination of employment, ½ of the accumulated sick leave is paid to the employee. Sheriff department employees earn sick leave upon hire at 1 day per month. After accumulation of 70 days, the employee is paid annually 65% of their accumulated leave in excess of 70 days in December. Only employees that retire and immediately receive County Municipal Employee Retirement System Benefits will be paid 50% of their unused sick leave, up to a maximum of 280 hours.

Court employees are credited with 6 days of sick leave at the end of their probationary periods. After their probationary periods, employees earn 1 day of sick leave per month up to a maximum of 12 days per calendar year. Court employees may carry sick leave forward to their next anniversary date of employment up to 70 sick leave days. Court employees are paid annually for ½ of their accumulated sick leave in excess of 70 days. Upon voluntary termination of employment, employees who have completed 5 years of service will be paid ½ of their accumulated sick leave up to the maximum that can be carried forward as described above.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS

NOTE I--COMPENSATED ABSENCES (Continued)

The nonsupervisory and supervisory employees represented by the International Union UAW and its local 1974 (unit 1 and unit 2), respectively, earn sick leave at the rate of 1 day per month after a 6 month probationary period. At the end of the probationary period, each employee is credited with 6 days of sick leave. The employees may accumulate a maximum of 70 days sick leave. After accumulation over 70 days on the employee anniversary date, the employee shall be paid at the rate of 65% their regular daily rate on all sick days accumulated in excess of 70 days.

The Housing Commission Director earns 1 day of sick leave per month and will be paid annually for ½ of accumulated leave in excess of 60 days. Upon voluntary termination of employment, ½ of the accumulated sick leave will be paid to the director.

Road Commission (component unit) post-1987 employees earn 4 hours sick leave per month, and pre-1987 employees earn 8 hours a month. All employees are paid annually for accumulated leave in excess of 360 hours. Upon termination, the accumulated sick leave is paid in full.

NOTE J--EMPLOYEE PENSION PLAN--PRIMARY GOVERNMENT

Plan Description

Clare County is an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS), administered by the State of Michigan. The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, nonduty-connected death and post-retirement adjustments to plan members and their beneficiaries. The county service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.25% times the final average compensation for the General UAW Units 111, Sheriff's Department, UAW (units 1 and 2), and elected officials. The most recent period for which actuarial data was available was for the fiscal period ended December 31, 2006.

MERS was organized pursuant to Section 12a of Public Act 156 of 1851, MCL 46.12(a)), as amended, State of Michigan. The MERS actuarial report was made in accordance with generally recognized actuarial methods in compliance with Public Act 220 of 1996, as amended, and the MERS plan document as revised. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, Michigan 48917.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS

NOTE J--EMPLOYEE PENSION PLAN--PRIMARY GOVERNMENT (Continued)

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the county's competitive bargaining units which required employees to contribute 3% of the first \$4,200 of annual compensation and 5% of compensation over \$4,200 for the Sheriff's Department, 4.7% for the General UAW Units 111 and UAW (units 1 and 2), and 4.5% for the elected officials. The county's pension contributions were 8.81%, 5.15%, 7.26%, and 5.18% of the covered payroll at December 31, 2004 for the General UAW Units 111, the Sheriff's Department, and UAW Units 1 and 2, and Elected Officials, respectively.

Annual Pension Cost

The annual required contribution was determined as part of an actuarial valuation at December 31, 2006. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required amortizing the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8% and annual salary increases of 4.5% based on an age-related scale to reflect merit, longevity, and promotional salary increases.

Three Year Trend Information for GASB Statement No. 27

<u>Year Ended December 31</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>			
2006	\$295,687	100%	\$0			
2005	207,401	100%	\$0			
2004	142,446	100%	\$0			
	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation December 31	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Overfunded (Unfunded) AAL (UAAL) (1) - (2)	Funded Ratio (1) / (2)	Covered Payroll	UAAL as a % of Covered Payroll
2006	\$ 11,727,617	\$ 12,867,906	\$ (1,140,289)	93%	\$4,689,048	24%
2005	10,955,295	11,959,186	(1,003,891)	92%	4,387,069	23%
2004	10,495,823	11,292,428	(796,605)	91%	4,022,625	20%

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS

NOTE J--EMPLOYEE PENSION PLAN--PRIMARY GOVERNMENT (Continued)

Employee Pension Plan--Transit Corporation

Profit Sharing Plan and Trust 401(K)

The Clare County Transit Corporation provides benefits to all union employees through a defined contribution plan named the Clare County Transit Corporation 401(K) Profit Sharing Plan and Trust, effective April 1, 1999. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. At September 30, 2007, there were 6 plan members. Employees may at their option, defer up to 10% of their gross income. The Clare County Transit Corporation will match the employees' contribution at the rate of 1/4 of the employee's contribution, up to a maximum rate of 1% of the employee's total compensation. In accordance with these provisions, the Transit Corporation contributed \$1,415 during the current fiscal year and employees contributed \$5,660. Plan provisions and contribution requirements are established and may be amended by the Clare County Transit Corporation Board.

SIMPLE Section 408(p)

The Clare County Transit Corporation provides pension benefits to all nonunion employees through a defined contribution plan named Paine Webber Incorporated Savings Incentive Match Plan (SIMPLE), effective February 18, 1999. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. At September 30, 2007, there were 2 plan members. The Clare County Transit Corporation contributes 3% of employees' gross earnings and employees may contribute up to \$2,000 per calendar year. In accordance with these provisions, the Transit Corporation contributed \$1,658 during the current fiscal year and employees contributed \$1,702. Plan provisions and contribution requirements are established and may be amended by the Clare County Transit Corporation Board.

NOTE K--EMPLOYEE PENSION PLAN--ROAD COMMISSION

Plan Description

The Clare County Road Commission participates in a defined benefit retirement plan administered by the Municipal Employees' Retirement System (MERS). The plan covers substantially all full-time employees.

MERS is a multiple-employer statewide public employee retirement plan created by the State of Michigan to provide retirement, survivor and disability benefits on a voluntary basis to the State's local government employees in the most efficient and effective manner possible. As such, MERS is a nonprofit entity qualified under section 401(a) of the Internal Revenue Code, which has the responsibility of administering the law in accordance with the expressed intent of the legislature and bears a fiduciary obligation to the State of Michigan, the taxpayers, and the public employees who are its beneficiaries.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS

NOTE K--EMPLOYEE PENSION PLAN--ROAD COMMISSION (Continued)

The passage of House Bill 5525/Public Act 220 with enactment on May 28, 1996, allowed the members of MERS to vote on and determine if MERS should become an independent public corporation. The vote resulted in approval to become independent of State control and MERS began to operate as an independent public corporation effective August 15, 1996. MERS issues a financial report, available to the public, that includes financial statements and required supplementary information for the system. A copy of the report may be obtained by writing to MERS at 1134 Municipal Way, Lansing, Michigan 48917.

All full-time Road Commission employees are eligible to participate in the system. Benefits vest after ten years of service. Employees who retire at or after age 55 with 30 years credited service are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 2.25% of the member's five-year final average compensation. The system also provides death and disability benefits which are established by State statute.

Participating Road Commission employees are required to contribute 5.0% of their annual salary to the system. The Road Commission is required to contribute the remaining amounts necessary to fund the Michigan Municipal Employees' Retirement System using the actuarial basis specified by statute.

Actuarial Accrued Liability

The actuarial accrued liability was determined as part of an actuarial valuation of the plan as of December 31, 2006. Significant actuarial assumptions used in determining the investment of present and future assets of 8.0%: (a) projected salary increases of 4.5% per year compounded annually, attributable to inflation; (b) additional projected salary increases of 0.0% to 4.2% per year, depending on age, attributable to seniority/merit; and (c) the assumption that benefits will increase 2.5% annually after retirement.

All entries are based on the actuarial methods and assumption that were used in the December 31, 2006 actuarial valuation to determine the annual employer contribution amounts. The entry age normal actuarial method was used to determine the entries at disclosure.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS

NOTE K--EMPLOYEE PENSION PLAN--ROAD COMMISSION (Continued)

GASB Statement No. 25 Information (as of 12/31/06)

Actuarial Accrued Liability	
Retirees and Beneficiaries Currently Receiving Benefits	\$5,430,448
Terminated Employees Not Yet Receiving Benefits	
Non-Vested Terminated Employees	181
Current Employees	
Accumulated Employee Contributions Including	
Allocated Investment Income	727,496
Employer Financed	<u>2,294,631</u>
Total Actuarial Accrued Liability	8,452,756
Net Assets Available for Benefits, at Actuarial Value	
(Market Value is \$7,978,223)	<u>7,868,155</u>
Unfunded (Overfunded) Actuarial Accrued Liability	<u><u>\$ 584,601</u></u>

Contributions Required and Contributions Made

MERS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for the fiscal year ended December 31, 2006 were determined using the entry age normal actuarial funding method. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of 30 years. The following table provides a schedule of contribution amounts and percentages for recent years.

Three Year Trend Information for GASB Statement No. 27

<u>Year Ended December 31</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2004	\$110,880	100%	\$0
2005	123,252	100%	\$0
2006	113,748	100%	\$0

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS

NOTE K--EMPLOYEE PENSION PLAN--ROAD COMMISSION (Continued)

Required Supplementary Information for GASB Statement No. 27

	(1)	(2)	(3)	(4)	(5)	(6)
Actuarial Valuation December 31	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Overfunded (Unfunded) AAL (UAAL) (1) - (2)	Funded Ratio (1) / (2)	Covered Payroll	UAAL as a % of Covered Payroll
2004	\$7,650,590	\$8,159,102	\$ (508,512)	94%	\$1,279,896	40%
2005	7,692,090	8,365,351	(673,261)	92%	1,307,116	52%
2006	7,868,155	8,452,756	(584,601)	93%	1,238,972	47%

For actuarial valuation purposes, the actuarial value of assets is determined on the basis of a calculation method that assumes the fund earns the expected rate of return of 8% and includes an adjustment to reflect market value.

Actuarial assumptions for MERS valuations were revised for the 1993, 1997, 2000, and 2004 valuations.

NOTE L--DEFERRED COMPENSATION PLAN

Primary Government

Clare County offers all employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. Effective January 1, 1997, the assets of the plan were held in a trust, custodial account or annuity contract described in IRC Section 457(g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodial account is held by the custodian for the exclusive benefit of the participants and beneficiaries of these Section 457 plans and the assets may not be diverted to any other use. The administrator (Wells Fargo Bank West, N.A.) is an agent of the employer. The administrator provides direction to the custodian, from time to time, regarding the investment of the funds held in the account, transfer of assets to or from the account and all other matters. In accordance with the provisions of GASB Statement No. 32, plan balances and activities are not reflected in the county's financial statements.

NOTE M--POST-EMPLOYMENT HEALTH CARE BENEFITS

Primary Government

The county provides certain post-employment health and dental care benefits per contractual agreement. The health care benefits may be continued after retirement or termination by the individual paying the premiums, in advance, to the county clerk's office. The net cost for retirees incurred for the year ended September 30, 2007 was \$123,059. During 2007, there were 23 individuals covered under this agreement.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS

NOTE M--POST-EMPLOYMENT HEALTH CARE BENEFITS (Continued)

Component Unit--Road Commission

In addition to the pension benefits described in Note K, the Road Commission provides post-employment health care benefits to all employees who retire from the Road Commission on or after attaining age 60 with 10 or more years of service; or, those who retire under a valid disability claim who have reached the age of 60. The health care benefits consist of the Road Commission paying the monthly health insurance until the recipient reaches the age of 65. The costs of retirees' health care benefits are recognized as expenditures as claims are paid. For the fiscal year ended September 30, 2007, those costs totaled \$42,799.

NOTE N--RISK MANAGEMENT

Primary Government

The county is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The county belongs to the Michigan Municipal Risk Management Authority which is a self-insured association organized under the laws of the State of Michigan to provide self-insurance protection against loss and risk management services to Michigan cities, counties, townships and special purpose governments. The Michigan Municipal Risk Management Authority is a separate legal and administrative entity.

The county is responsible for paying all losses, including damages, loss adjustment expenses and defense costs, for each occurrence that falls within the county's self-insured retention (SIR). If a covered loss exceeds the authority's limits, all further payments for such loss are the sole obligation of the county. If for any reason, the authority's resources available to pay losses are depleted, the payment of all unpaid losses of the county is the sole obligation of the county. The County of Clare self-insured retentions are as follows:

<u>COVERAGE</u>	<u>SELF-INSURED RETENTION (SIR)</u> (Excess of Deductibles)
Liability	\$75,000
Vehicle Physical Damage \$1,000 County Deductible	\$15,000 Per Vehicle \$30,000 Per Occurrence
Property and Crime Deductible Per Occurrence	\$1,000 10% of the Next \$100,000

After the county has paid the SIR, the authority will be responsible for paying losses, including damages, loss adjustment expense and defense costs.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS

NOTE N--RISK MANAGEMENT (Continued)

Transit Corporation

The Transit Corporation is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees. The Transit Corporation purchases commercial insurance for business auto repairs, commercial general liability, commercial inland marine (radio and TV), commercial property (building and contents), computerized business equipment, workers' compensation and medical benefit claims. The Transit Corporation participates in the Michigan Transit Pool for claims relating to auto and general liability. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past 4 fiscal years.

The Michigan Transit Insurance Pool (Pool) was created pursuant to the provisions of MCL 124.1 et seq.; and was incorporated under the Michigan Nonprofit Corporation Act, being MCL Sections 450.2101 et seq., as the Michigan Transit Pool, Inc. The Pool is to provide administrative loss protection programs for the members, to pool losses and claims, to jointly purchase commercial services, including claims adjusting, data processing, risk management consulting, loss prevention, legal and related services. The Pool is a separate legal and administrative entity. Settled claims for the Pool have not exceeded the amounts of insurance coverage in any of the past 4 years.

Road Commission (Component Unit)

Clare County Road Commission is a member of the Michigan County Road Commission Self-Insurance Pool established pursuant to the laws of the State of Michigan which authorized contracts between municipal corporations (inter-local agreements) to form group self-insurance pools, and to prescribe conditions to the performance of these contracts.

The Pool was established for the purpose of making a self-insurance pooling program available which includes, but is not limited to, general liability coverages, auto liability coverages, property insurance coverages, stop loss insurance protection, claims administration, and risk management and loss control services pursuant to Michigan Public Act 138 of 1982.

The Clare County Road Commission pays an annual premium to the Pool for property (buildings and contents) coverage, automobile and equipment liability, errors or omissions liability, bodily injury, property damage and personal injury liability. The agreement for the information of the Pool provides that it will be self-sustaining through member premiums determined necessary by the Pool Board.

The Road Commission is also self-insured for workers' compensation as a member of the County Road Association Self-Insurance Fund.

During the year ended September 30, 2007 and the previous 2 years, there were no settlements which exceeded the respective insurance coverage. In addition, there has been no reduction in insurance coverage from the prior year.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS

NOTE O--CONTINGENT LIABILITIES

The county, in connection with the normal conduct of its affairs, is involved in various claims, judgments and litigation. The county's insurance carrier estimates that the potential claims against the county, not covered by insurance resulting from such litigation, would not materially affect the financial statements of the county.

NOTE P--COUNTY SOLID WASTE LANDFILL

The county entered into a real estate purchase agreement, and landfill development and operation agreement with Waste Management of Michigan, Inc., on June 20, 1990. For \$260,000, the county conveyed title to certain land and entered into a 20-year operation agreement. The county is also entitled to certain host community fees. Waste Management is party to a Perpetual Care Trust Fund Agreement (PCTF) with the State of Michigan Department of Natural Resources. The PCTF is used exclusively for closure, monitoring, and maintenance of the landfill, and for the response activity necessitated by discharge from the landfill of a substance which is or may become injurious to the public health, safety, or welfare or to the environment. Waste Management is required to make certain specified deposits to the fund and to provide a surety bond.

NOTE Q--PREPAID INSURANCE

Clare County Transit Corporation purchases insurance coverage through the Michigan Transit Pool Association (MPTA). The Transit Corporation's required retention has been increased to \$25,000 per occurrence in recent years. To mitigate risks and provide premium stabilization, the Transit Corporation has deposited an additional amount of \$125,069 with the pool, which is recorded as prepaid insurance as of September 30, 20073.

NOTE R--FEDERAL FINANCIAL ASSISTANCE

It is required by the Michigan Department of Transportation that the county road commissioners report total Federal financial assistance for highway research, planning and construction pertaining to their county. However, only the Federal financial assistance applicable to force account expenditures is required to be audited for compliance under the Single Audit Act through Road Commission procurement. The reason for this requirement is that the Road Commission is required to have accounting and administrative control over the force account portion while the balance is administered by the Michigan Department of Transportation. The Federal aid revenue of \$789,046 represents the Department of Transportation Federal Highway grant money expended on public road improvement projects where work was performed by independent contractors, but was paid for and administered by the Michigan Department of Transportation.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS

NOTE S--RESTATEMENT OF NET ASSETS/FUND BALANCE

Restatement of Fund Balance

In fiscal year 2006, the Clare County Board of Commissioners approved an advance of \$550,000 from the Delinquent Tax Revolving Fund to assist in the payment of the new 911 facility. The advance was recorded as an appropriation and closed into the 911 Fund's and General Fund's fund balances instead of an advance. Also, the county has been recording the activities of the 911 Services in two separate funds. The second fund in the previous years has been reported as a Jail Construction Fund. The restatement is to combine the two funds and reclassify the advances.

	General Fund	911 Service	Jail Construction
From Exhibit D and O			
Fund Balance--October 1, 2006	\$2,443,810	\$ 46,486	\$116,429
Subtract Advance From Delinquent Tax Fund	(240,846)	(309,154)	
Add Balance Previously Recorded in the Jail Construction/911 Facility Fund		116,429	(116,429)
Restated Fund Balance--October 1, 2006	<u>\$2,202,964</u>	<u>\$(146,239)</u>	<u>\$ -</u>

The Housing Commission was been reported as a discrete component unit in the prior year. The Housing Commission provides services entirely to Clare County exclusively meeting the definition of a blended component unit and not a discrete component unit. The reclassification of the Housing Commission will increase the fund balance of the governmental funds as of October 1, 2006 by \$429,249 and reduce the fund balance of the component unit's by the same amount.

During the fiscal year 2006, a \$40,000 cash transfer from the investment account to the checking account was recorded on the general ledger of the Clare County Senior Citizens Fund. The transfer was never performed at the financial institution overstating the cash balance and ending fund balance by \$40,000. The restatement is to reduce the cash balance and fund balance at the start of the fiscal year for the \$40,000.

	Senior Citizens
From Exhibit O	
Fund Balance--October 1, 2006	\$ 83,013
Subtract Cash Transfer Not Peformed	<u>(40,000)</u>
Restated Fund Balance--October 1, 2006	<u>\$ 43,013</u>

The Clare County Department of Human Services receives a cash advance from the State of Michigan Department of Human Services for cash flow purposes. If the Clare County Department of Human Services were to be dissolved, the cash advance would be due back to the State of Michigan. When the advance was received, it was recorded as revenue and not as a liability. The restatement is to reduce fund balance for the cash advance.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS

NOTE S--RESTATEMENT OF NET ASSETS/FUND BALANCE (Continued)

	<u>Department of Human Services</u>
From Exhibit O	
Fund Balance--October 1, 2006	\$ 81,295
Subtract Cash Advance From State	<u>(36,000)</u>
Restated Fund Balance--October 1, 2006	<u><u>\$ 45,295</u></u>

Restatement of Business-Type Activities

In 2006, the Clare County Treasurer made the decision to “opt out” of the process where the State of Michigan sells all foreclosed properties and assumed the responsibility pursuant to Public Act 123 of 1999. According to Public Act 123 of 1999, a separate activity or fund is to be set up to account for the revenues and expenses of the foreclosure process. This activity was recorded in the Trust and Agency Fund. The restatement is to record the 2006 foreclosing activity into its own separate fund.

	<u>Tax Foreclosure</u>
From Exhibit Q	
Net Assets--October 1, 2006	
Add Ending Activity From 2006 Activities	<u>\$ 115,050</u>
Restated Net Assets--October 1, 2006	<u><u>\$ 115,050</u></u>

In 2006, the Clare County Board of Commissioners approved an advance of \$47,000 from the Delinquent Tax Revolving Fund to assist in the payment of the new equipment for the Technology Internal Service Fund. The advance was recorded as an appropriation and closed into the Technology Fund’s net assets instead of an advance. The restatement is to reclassify the advance.

	<u>911 Service</u>
From Exhibit T	
Net Assets--October 1, 2006	\$ 32,676
Subtract Advance From Delinquent Tax Fund	<u>(47,000)</u>
Restated Net Assets--October 1, 2006	<u><u>\$(14,324)</u></u>

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS

NOTE S--RESTATEMENT OF NET ASSETS/FUND BALANCE (Continued)

Due to the restatements of the General Fund, 911 Fund, and the Technology Fund, the following restatement is to correct the Delinquent Tax Fund for the reasons listed above.

	<u>Delinquent Tax</u>
From Exhibit F	
Net Assets--October 1, 2006	\$ 4,093,933
Add Advance to General Fund	240,846
Add Advance to 911 Fund	309,144
Add Advance to Technology Fund	<u>47,000</u>
Restated Net Assets--October 1, 2006	<u><u>\$ 4,690,923</u></u>

The county also has a Tax Services Fund set up as an Internal Service Fund. This fund has not been utilized for years and again does not meet the definition of an internal service fund. The Tax Services Fund has been closed into the General Fund increasing the fund balance by \$25,643.

	<u>General Fund</u>
From Exhibit D	
Fund Balance--January 1, 2006	\$ 170,845
Subtract Expenses From Pension Trust Fund	(183,752)
Subtract Closing of Computer Fund	(915)
Add Closing of Tax Services Fund	<u>25,643</u>
Restated Net Assets--October 1, 2006	<u><u>\$ 11,821</u></u>

Restatement of Governmental Activities Net Assets

The restatement to the beginning net assets of the governmental activities is due to the following:

1. Net decrease in General Fund and 911 Fund due to reclassification of advance of \$550,000.
2. Reclassification of Housing Commission increasing Net Assets \$1,743,133.
3. Reduction of the Senior Citizens' Fund cash balance of \$40,000.
4. Reclassification of cash advance in Department of Human Services Fund of \$36,000.
5. Reclassification of advance to Technology Fund of \$47,000.

COUNTY OF CLARE

NOTES TO FINANCIAL STATEMENTS

NOTE S--RESTATEMENT OF NET ASSETS/FUND BALANCE (Continued)

	<u>Governmental Activities</u>
From Exhibit B	
Net Assets--October 1, 2006	\$ 8,084,563
Subtract Advance to General Fund and 911 Fund	(550,000)
Add Housing Commission Fund	1,743,133
Subtract Senior Citizen Fund	(40,000)
Subtract Cash Advance to Department of Human Services	(36,000)
Subtract Advance to Technology Fund	<u>(47,000)</u>
Restated Net Assets--October 1, 2006	<u><u>\$ 9,154,696</u></u>

CLARE COUNTY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended September 30, 2007

EXHIBIT K

	BUDGETED AMOUNTS			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes and Penalties	\$ 4,551,563	\$ 5,697,754	\$ 5,629,573	\$ (68,181)
Licenses and Permits	109,750	113,191	92,669	(20,522)
Federal Grants	86,000	187,714	142,860	(44,854)
State Grants	781,509	828,062	815,067	(12,995)
Contributions From Local Units	464,165	485,851	443,562	(42,289)
Charges for Services	2,801,174	2,841,040	2,453,638	(387,402)
Fines and Forfeits	44,500	44,500	27,529	(16,971)
Interest and Rentals	597,822	611,217	871,595	260,378
Other Revenue	169,574	233,457	225,389	(8,068)
Total Revenues	9,606,057	11,042,786	10,701,882	(340,904)
Expenditures				
Current				
General Government	3,859,718	4,064,742	3,772,254	292,488
Public Safety	4,389,120	4,460,175	4,233,235	226,940
Public Works	43,330	70,311	52,986	17,325
Health and Welfare	573,106	585,606	587,314	(1,708)
Community and Economic Development	37,922	49,529	39,076	10,453
Other	936,990	785,317	742,154	43,163
Capital Outlay	85,535	218,999	196,637	22,362
Debt Service				
Principal	9,840	9,840	9,839	1
Interest and Fiscal Fees	2,103	2,103	2,103	-
Total Expenditures	9,937,664	10,246,622	9,635,598	611,024
Excess of Revenues Over (Under) Expenditures	(331,607)	796,164	1,066,284	270,120
Other Financing Sources (Uses)				
Interfund Transfers In	1,068,202	1,083,202	973,657	(109,545)
Interfund Transfers (Out)	(974,000)	(2,274,696)	(2,166,979)	107,717
Total Other Financing Sources (Uses)	94,202	(1,191,494)	(1,193,322)	(1,828)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(237,405)	(395,330)	(127,038)	268,292
Fund Balance--October 1, 2006	1,008,144	1,035,909	2,443,810	1,407,901
Restatement to Fund Balance			(240,846)	(240,846)
Restated Fund Balance--October 1, 2006			2,202,964	2,202,964
Fund Balance--September 30, 2007	\$ 770,739	\$ 640,579	\$ 2,075,926	\$ 2,471,256

CLARE COUNTY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
GYPSY MOTH--MAJOR SPECIAL REVENUE FUND
For the Year Ended September 30, 2007

EXHIBIT L

	BUDGETED AMOUNTS			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes			\$ 4	\$ 4
Interest and Rentals	\$ 35,000	\$ 35,000	57,976	22,976
Total Revenues	35,000	35,000	57,980	22,980
Expenditures				
Current				
General Government	182,209	182,536	12,530	170,006
Total Expenditures	182,209	182,536	12,530	170,006
Excess of Revenues Over (Under) Expenditures	(147,209)	(147,536)	45,450	192,986
Fund Balance--October 1, 2006	147,209	147,536	1,179,903	1,032,367
Fund Balance--September 30, 2007	\$ -	\$ -	\$ 1,225,353	\$ 1,225,353

CLARE COUNTY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
REVENUE SHARING RESERVE
MAJOR SPECIAL REVENUE FUND
For the Year Ended September 30, 2007

EXHIBIT M

	<u>BUDGETED AMOUNTS</u>			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes	\$ 612,000	\$ 612,000		\$ (612,000)
Interest	15,000	15,000	\$ 32,641	17,641
Total Revenues	627,000	627,000	32,641	(594,359)
Total Expenditures	-	-	-	-
Excess of Revenues Over (Under) Expenditures	627,000	627,000	32,641	(594,359)
Other Financing Sources (Uses)				
Interfund Transfers In	-	-	1,132,437	1,132,437
Interfund Transfers (Out)	(612,000)	(612,000)	(602,407)	9,593
Total Other Financing Sources (Uses)	(612,000)	(612,000)	530,030	1,142,030
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	15,000	15,000	562,671	547,671
Fund Balance--October 1, 2006	-	-	1,064,971	1,064,971
Fund Balance--September 30, 2007	\$ 15,000	\$ 15,000	\$ 1,627,642	\$ 1,612,642

The Notes to Financial Statements are an integral part of this statement.

CLARE COUNTY
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
September 30, 2007

EXHIBIT N

	SPECIAL REVENUE FUNDS												
	Parks and Recreation	Friend of the Court Medical Grant	Friend of the Court	Brownfield Redevelopment Authority	Public Building and Improvement	Building Department	Register of Deeds Automation	911 Service	Local Corrections Officers	Drug Law Enforcement	Law Library	Housing Commission	Enterprise Community
<u>ASSETS</u>													
Cash	\$ 51,484		\$ 78,843	\$ 25,292	\$ 14,242	\$ 11,773	\$ 131,327	\$ 178,126	\$ 18,999	\$ 11,200	\$ 87	\$ 78,757	\$ 10,692
Investments					1,388							74,208	
Accounts Receivable	500							14,851	130				
Notes Receivable												1,484,832	
Land Contracts Receivable												20,304	
Due From State of Michigan			35,065					31,112					
Due From Federal Government													22,065
Total Assets	\$ 51,984	\$ -	\$ 113,908	\$ 25,292	\$ 15,630	\$ 11,773	\$ 131,327	\$ 224,089	\$ 19,129	\$ 11,200	\$ 87	\$ 1,658,101	\$ 32,757
<u>LIABILITIES AND FUND BALANCES</u>													
Accounts Payable	\$ 47		\$ 3,883			\$ 470	\$ 16,571	\$ 2,537			\$ 388	\$ 8,204	\$ 22,065
Due to State													
Accrued Liabilities	560		8,778			8,786		14,835				1,793	
Long-Term Advance								209,154					
Deferred Revenue	33,675											1,505,136	10,692
Total Liabilities	34,282	\$ -	12,661	\$ -	\$ -	9,256	16,571	226,526	\$ -	\$ -	388	1,515,133	32,757
Fund Balances													
Reserved for													
Donations													
Debt Service													
Housing Rehab												142,968	
Capital Expenditures													
Unreserved--Undesignated	17,702		101,247	25,292	15,630	2,517	114,756	(2,437)	19,129	11,200	(301)		
Total Fund Balances	17,702	-	101,247	25,292	15,630	2,517	114,756	(2,437)	19,129	11,200	(301)	142,968	-
Total Liabilities and Fund Balances	\$ 51,984	\$ -	\$ 113,908	\$ 25,292	\$ 15,630	\$ 11,773	\$ 131,327	\$ 224,089	\$ 19,129	\$ 11,200	\$ 87	\$ 1,658,101	\$ 32,757

CLARE COUNTY
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
September 30, 2007

EXHIBIT N
(CONTINUED)

	SPECIAL REVENUE FUNDS							DEBT SERVICE FUNDS		CAPITAL PROJECT FUNDS			
	TSA Grant	Senior Citizen	Department of Human Services	Child Care DHS	Child Care Probate	Soldiers and Sailors Relief	Veterans Trust	Airport	Jail Building Debt	Building Authority Refunding Debt	Animal Shelter Construction	Jail Construction	Total
ASSETS													
Cash	\$ 8,582	\$ (27,838)	\$ 55,944	\$ 306,171	\$ 32,622	\$ 8,173	\$ 2,080	\$ 8,957	\$ 15	\$ 748	\$ 362,669		\$ 1,368,945
Investments		82,170											157,766
Accounts Receivable													15,481
Notes Receivable													1,484,832
Land Contracts Receivable													20,304
Due From State of Michigan			13,726	19,534	9,896								109,333
Due From Federal Government	9,875												31,940
Total Assets	\$ 18,457	\$ 54,332	\$ 69,670	\$ 325,705	\$ 42,518	\$ 8,173	\$ 2,080	\$ 8,957	\$ 15	\$ 748	\$ 362,669	\$ -	\$ 3,188,601
LIABILITIES AND FUND BALANCES													
Accounts Payable	\$ 6,571			\$ 27,927	\$ 16,485	\$ 317	\$ 78	\$ 3,077			\$ 1,481		\$ 110,101
Due to State			\$ 36,000										36,000
Accrued Liabilities													34,752
Long-Term Advance													209,154
Deferred Revenue	11,886												1,561,389
Total Liabilities	18,457	\$ -	36,000	27,927	16,485	317	78	3,077	\$ -	\$ -	\$ 1,481	\$ -	1,951,396
Fund Balances													
Reserved for													
Donations			5,065										5,065
Debt Service									15	748			763
Housing Rehab													142,968
Capital Expenditures											361,188		361,188
Unreserved--Undesignated		54,332	28,605	297,778	26,033	7,856	2,002	5,880					727,221
Total Fund Balances	-	54,332	33,670	297,778	26,033	7,856	2,002	5,880	15	748	361,188	-	1,237,205
Total Liabilities and Fund Balances	\$ 18,457	\$ 54,332	\$ 69,670	\$ 325,705	\$ 42,518	\$ 8,173	\$ 2,080	\$ 8,957	\$ 15	\$ 748	\$ 362,669	\$ -	\$ 3,188,601

CLARE COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2007

EXHIBIT O

	SPECIAL REVENUE FUNDS												
	Parks and Recreation	Friend of the Court Medical Grant	Friend of Court	Brownfield Redevelopment Authority	Public Building and Improvement	Building Department	Register of Deeds Automation	911 Service	Local Corrections Officers	Drug Law Enforcement	Law Library	Housing Commission	Enterprise Community
Revenues													
Taxes								\$ 318,634					
Licenses and Permits						\$ 129,908							
Federal Grants			\$ 239,762									\$ 82,533	\$ 191,411
State Grants			24,403					129,422				21,640	
Charges for Services			45,421				\$ 51,640	158,637				650	
Fines and Forfeits									\$ 6,540	\$ 2,257	\$ 3,500		
Interest and Rentals					\$ 4,118		3,849					19,182	
Other	\$ 13,589											101,404	
Total Revenues	13,589	\$ -	309,586	\$ -	4,118	129,908	55,489	606,693	6,540	2,257	3,500	225,409	191,411
Expenditures													
General Government			295,277		6,157		70,047				4,934		
Public Safety						157,602		454,496		598			
Public Works				26,183									
Health and Welfare													
Community and Economic Development												511,690	191,411
Recreation and Cultural	13,589												
Capital Outlay					41,015			8,395					
Principal													
Interest and Fees													
Total Expenditures	13,589	-	295,277	26,183	47,172	157,602	70,047	462,891	-	598	4,934	511,690	191,411
Excess of Revenue Over (Under)													
Expenditures	-	-	14,309	(26,183)	(43,054)	(27,694)	(14,558)	143,802	6,540	1,659	(1,434)	(286,281)	-
Other Financing Sources (Uses)													
Loan Proceeds				51,475									
Interfund Transfers In			15,005										
Interfund Transfers (Out)		(15,005)											
Total Other Financing Sources (Uses)	-	(15,005)	15,005	51,475	-	-	-	-	-	-	-	-	-
Excess of Revenues and Other Sources Over (Under)													
Expenditures and Other Uses	-	(15,005)	29,314	25,292	(43,054)	(27,694)	(14,558)	143,802	6,540	1,659	(1,434)	(286,281)	-
Fund Balance--October 1, 2006	17,702	15,005	71,933	-	58,684	30,211	129,314	46,486	12,589	9,541	1,133		-
Restatement to Fund Balance [Note S (1)(2)(3)]								(192,725)				429,249	
Restated Fund Balance--October 1, 2006	17,702	15,005	71,933	-	58,684	30,211	129,314	(146,239)	12,589	9,541	1,133	429,249	-
Fund Balance--September 30, 2007	\$ 17,702	\$ -	\$ 101,247	\$ 25,292	\$ 15,630	\$ 2,517	\$ 114,756	\$ (2,437)	\$ 19,129	\$ 11,200	\$ (301)	\$ 142,968	\$ -

CLARE COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2007

EXHIBIT O
(CONTINUED)

	SPECIAL REVENUE FUNDS								DEBT SERVICE FUNDS		CAPITAL PROJECT FUNDS		
	TSA Grant	Senior Citizens	Department of Human Services	Child Care DHS	Child Care Probate	Soldiers and Sailors Relief	Veterans Trust	Airport	Jail Building Debt	Building Authority Refunding Debt	Animal Shelter Construction	Jail Construction	Total
Revenues													
Taxes		\$ 440,409									\$ 4		\$ 759,047
Licenses and Permits													129,908
Federal Grants	\$ 27,614												541,320
State Grants				\$ 217,300	\$ 70,168		\$ 3,128						466,061
Charges for Services				12,139	13,820								282,307
Fines and Forfeits													12,297
Interest and Rentals		6,640						\$ 4,720			15,708		54,217
Other			\$ 238,397					1,605					354,995
Total Revenues	27,614	447,049	238,397	229,439	83,988	\$ -	3,128	6,325	\$ -	\$ -	15,712	\$ -	2,600,152
Expenditures													
General Government													376,415
Public Safety											10,047		622,743
Public Works								21,510					47,693
Health and Welfare		435,730	255,022	491,552	161,116	4,000	1,165						#REF!
Community and Economic Development	27,614												730,715
Recreation and Cultural													13,589
Capital Outlay													49,410
Principal									430,000	55,000			485,000
Interest and Fees									44,880	49,662			94,542
Total Expenditures	27,614	435,730	255,022	491,552	161,116	4,000	1,165	21,510	474,880	104,662	10,047	-	#REF!
Excess of Revenue Over (Under)													
Expenditures	-	11,319	(16,625)	(262,113)	(77,128)	(4,000)	1,963	(15,185)	(474,880)	(104,662)	5,665	-	(1,168,540)
Other Financing Sources (Uses)													
Loan Proceeds													51,475
Interfund Transfers In			5,000	375,000	75,000				474,880	104,662			1,049,547
Interfund Transfers (Out)													(15,005)
Total Other Financing Sources (Uses)	-	-	5,000	375,000	75,000	-	-	-	474,880	104,662	-	-	1,034,542
Excess of Revenues and Other Sources Over (Under)													
Expenditures and Other Uses	-	11,319	(11,625)	112,887	(2,128)	(4,000)	1,963	(15,185)	-	-	5,665	-	(133,998)
Fund Balance--October 1, 2006	-	83,013	81,295	184,891	28,161	11,856	39	21,065	15	748	355,523	116,429	1,275,633
Restatement to Fund Balance [Note S (1)(2)(3)]		(40,000)	(36,000)									(116,429)	44,095
Restated Fund Balance--October 1, 2006	-	43,013	45,295	184,891	28,161	11,856	39	21,065	15	748	355,523	-	1,319,728
Fund Balance--September 30, 2007	\$ -	\$ 54,332	\$ 33,670	\$ 297,778	\$ 26,033	\$ 7,856	\$ 2,002	\$ 5,880	\$ 15	\$ 748	\$ 361,188	\$ -	\$ 1,237,205

CLARE COUNTY
COMBINING STATEMENT OF NET ASSETS
NON-MAJOR ENTERPRISE FUNDS
September 30, 2007

EXHIBIT P

	BUSINESS-TYPE ACTIVITIES		
	NON-MAJOR ENTERPRISE FUNDS		
	Tax	Jail	Total
	Foreclosure	Commissary	Non-Major
			Funds
<u>ASSETS</u>			
Current Assets			
Cash and Cash Equivalents	\$ 440,462	\$ 9,106	\$ 449,568
Accounts Receivable		1,547	1,547
Total Assets	\$ 440,462	\$ 10,653	\$ 451,115
<u>LIABILITIES</u>			
Current Liabilities			
Accounts Payable		\$ 921	\$ 921
Total Liabilities	\$ -	921	921
<u>NET ASSETS</u>			
Unrestricted	440,462	9,732	450,194
Total Net Assets	\$ 440,462	\$ 9,732	\$ 450,194

CLARE COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET ASSETS--NON-MAJOR ENTERPRISE FUNDS
For the Year Ended September 30, 2007

EXHIBIT Q

	BUSINESS-TYPE ACTIVITIES NON-MAJOR ENTERPRISE FUNDS		Total Non-Major Enterprise Funds
	Tax Foreclosure	Jail Commissary	
Operating Revenues			
Charges for Services	\$ 446,653	\$ 23,405	\$ 470,058
Total Operating Revenues	446,653	23,405	470,058
Operating Expenses			
Materials and Supplies	121,241	19,993	141,234
Total Operating Expenses	121,241	19,993	141,234
Operating Income (Loss)	325,412	3,412	328,824
Change in Net Assets	325,412	3,412	328,824
Total Net Assets--October 1, 2006	-	6,320	6,320
Restatement to Net Assets [Note S (4)]	115,050	-	115,050
Restated Net Assets--October 1, 2006	115,050	6,320	121,370
Total Net Assets--September 30, 2007	\$ 440,462	\$ 9,732	\$ 450,194

CLARE COUNTY
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR ENTERPRISE FUNDS
For the Year Ended September 30, 2007

EXHIBIT R

	BUSINESS-TYPE ACTIVITIES--NON-MAJOR ENTERPRISE FUNDS		
	Tax Foreclosure	Jail Commissary	Total Enterprise Funds
Cash Flows From Operating Activities			
Cash Received From Customers	\$ 446,653	\$ 23,419	\$ 470,072
Cash Payments to Suppliers for Goods and Services	(121,241)	(19,506)	(140,747)
Net Cash Provided by Operating Activities	325,412	3,913	329,325
Net Increase (Decrease) in Cash and Cash Equivalents	325,412	3,913	329,325
Cash and Cash Equivalents at Beginning of Year	115,050	5,193	120,243
Cash and Cash Equivalents at End of Year	\$ 440,462	\$ 9,106	\$ 449,568
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating Income (Loss)	\$ 325,412	\$ 3,412	\$ 328,824
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
(Increase) Decrease in Accounts Receivable		14	14
Increase (Decrease) in Accounts Payable		488	488
Net Cash Provided by Operating Activities	\$ 325,412	\$ 3,914	\$ 329,326

CLARE COUNTY
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
September 30, 2007

EXHIBIT S

	<u>INTERNAL SERVICE FUNDS</u>		
	Technology Fund	Health Insurance Fund	Total Non-Major Funds
<u>ASSETS</u>			
Current Assets			
Cash and Cash Equivalents	\$ 4,026	\$ 172,454	\$ 176,480
Accounts Receivable		1,752	1,752
Total Current Assets	4,026		178,232
Noncurrent Assets			
Capital Assets--Net of Accumulated Depreciation	14,325		14,325
Total Noncurrent Assets	14,325	-	14,325
Total Assets	\$ 18,351	\$ 174,206	\$ 192,557
<u>LIABILITIES</u>			
Current Liabilities			
Accrued Liabilities		\$ 44	\$ 44
Total Current Liabilities	\$ -	44	44
Noncurrent Liabilities			
Long-Term Advance	31,276		31,276
Total Noncurrent Liabilities	31,276	-	31,276
Total Liabilities	31,276	44	31,320
<u>NET ASSETS</u>			
Invested in Capital Assets			
Net of Related Debt	14,325		14,325
Unrestricted	(27,250)	174,162	146,912
Total Net Assets	\$ (12,925)	\$ 174,162	\$ 161,237

CLARE COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET ASSETS--INTERNAL SERVICE FUNDS
For the Year Ended September 30, 2007

EXHIBIT T

	<u>INTERNAL SERVICE FUNDS</u>		
	Technology Fund	Health Insurance Fund	Total Internal Service Funds
Operating Revenues			
Charges for Services	\$ 15,724	\$ 1,268,706	\$ 1,284,430
Total Operating Revenues	15,724	1,268,706	1,284,430
Operating Expenses			
Health Insurance		1,272,405	1,272,405
Depreciation	14,325		14,325
Total Operating Expenses	14,325	1,272,405	1,286,730
Operating Income (Loss)	1,399	(3,699)	(2,300)
Change in Net Assets	1,399	(3,699)	(2,300)
Total Net Assets--October 1, 2006	32,676	177,861	210,537
Restatement to Net Assets [Note S (5)]	(47,000)		(47,000)
Restated Net Assets-October 1, 2006	(14,324)	177,861	163,537
Total Net Assets--September 30, 2007	\$ (12,925)	\$ 174,162	\$ 161,237

CLARE COUNTY
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended December 31, 2007

EXHIBIT U

	INTERNAL SERVICE FUNDS		
	Technology Fund	Health Insurance Fund	Total Funds
Cash Flows From Operating Activities			
Cash Received From Customers	\$ 15,724	\$ 1,183,022	\$ 1,198,746
Cash Payments For Employees Benefits		(1,150,039)	(1,150,039)
Net Cash Provided by Operating Activities	15,724	32,983	48,707
Cash Flows From Capital and Related Financing Activities			
Long-Term Advance	(15,724)		(15,724)
Net Cash Provided by Capital and Related Financing Activities	(15,724)	-	(15,724)
Net Increase (Decrease) in Cash and Cash Equivalents	-	32,983	32,983
Cash and Cash Equivalents at Beginning of Year	4,026	139,471	143,497
Cash and Cash Equivalents at End of Year	\$ 4,026	\$ 172,454	\$ 176,480
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating Income (Loss)	\$ 1,399	\$ (3,699)	\$ (2,300)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Depreciation Expense	14,325		14,325
(Increase) Decrease in Accounts Receivable		(1,752)	(1,752)
(Increase) in Prepaid Insurance		122,322	122,322
Increase (Decrease) in Accrued Wages Payable		44	44
Increase (Decrease) in Deferred Revenue		(83,932)	(83,932)
Net Cash Provided by Operating Activities	\$ 15,724	\$ 32,983	\$ 48,707

CLARE COUNTY
COMBINING STATEMENT OF FIDUCIARY
NET ASSETS--AGENCY FUNDS
September 30, 2007

EXHIBIT V

	General Agency	Library (Penal Fines) Fund	Total
<hr/>			
<u>ASSETS</u>			
Cash	\$2,001,683	\$ 218	\$ 2,001,901
Investments		59,861	59,861
	<hr/>		
Total Assets	\$2,001,683	\$ 60,079	\$ 2,061,762
	<hr/> <hr/>		
<u>LIABILITIES AND FUND BALANCE</u>			
Liabilities			
Due to Cities	\$ 622		\$ 622
Due to Schools and Colleges	35		35
Due to State of Michigan	1,932,796		1,932,796
Undistributed Penal Fines and Interest		\$ 60,079	60,079
Undistributed Tax Collections	649		649
Other Liabilities	67,581		67,581
	<hr/>		
Total Liabilities	\$2,001,683	\$ 60,079	\$ 2,061,762
	<hr/> <hr/>		

CLARE COUNTY
STATEMENT OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL--GENERAL FUND
For the Year Ended September 30, 2007

EXHIBIT W

	BUDGETED AMOUNTS			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Taxes and Penalties				
Current Property Taxes	\$ 4,343,863	\$ 5,476,298	\$ 5,397,086	\$ (79,212)
Unpaid Personal Property Taxes	25,000	25,000	18,584	(6,416)
Tax Reverted Lands	500	500	-	(500)
Trailer Taxes	3,700	3,700	2,172	(1,528)
Swampland Tax	41,569	41,569	41,622	53
Commercial Forest Reserve	8	8	20	12
Industrial Facility Tax	10,473	18,706	19,289	583
Payments-in-Lieu of Taxes	6,400	11,923	14,382	2,459
Property Tax Administration Fees	120,000	120,000	136,418	16,418
County Expense of Sale	50	50	-	(50)
Total Taxes and Penalties	4,551,563	5,697,754	5,629,573	(68,181)
Licenses and Permits				
Marriage Licenses	1,000	1,000	1,100	100
Marriage Licenses--Family Counseling	3,000	3,000	3,210	210
Dog Licenses	75,000	78,441	57,623	(20,818)
Pistol Permits	5,750	5,750	2,674	(3,076)
Soil Erosion and Sedimentation Permits	25,000	25,000	28,059	3,059
Explosives Permits	-	-	3	3
Total Licenses and Permits	109,750	113,191	92,669	(20,522)
Federal Grants				
State Domestic Preparedness Equipment	2,000	10,500	-	(10,500)
Emergency Management	21,000	21,000	11,216	(9,784)
Hazardous Materials Emergency Planning Grant	-	-	703	703
USDA Grant--Solid Waste	-	12,914	9,842	(3,072)
USDA Grant--Vehicles	-	71,500	71,500	-
USDA Grant--Dive Equipment	-	8,800	-	(8,800)
Marine Safety	15,000	15,000	9,189	(5,811)
Cooperative Reimbursement Program--Prosecuting Attorney	48,000	48,000	40,410	(7,590)
Total Federal Grants	86,000	187,714	142,860	(44,854)
State Grants				
Probate Judges' Salary	108,292	108,292	101,720	(6,572)
Judges' Salary Standardization	74,949	94,306	94,306	-
State Court Equity Fund	215,000	215,000	215,848	848
Secondary Road Patrol	70,623	70,901	73,278	2,377
Bullet Proof Vest Program	1,500	1,500	-	(1,500)
State Aid Caseflow Assistance	8,200	8,200	10,192	1,992
State Snowmobile Grant	10,525	10,525	10,129	(396)
Judicial Network Project	-	-	8,500	8,500
Michigan Justice Training	5,000	5,000	3,467	(1,533)
Off-Road Vehicle Enforcement	7,000	7,000	5,039	(1,961)
Off-Road Vehicle Safety Education	6,000	6,000	-	(6,000)
Juvenile Accountability Incentive Block Grant	-	13,400	-	(13,400)
Cooperative Reimbursement Program--Prosecuting Attorney	-	-	748	748
Juvenile Officer Grant	27,317	27,317	27,317	-
Food Stamp Fraud	2,000	2,000	-	(2,000)
Victims Rights Grant	29,200	29,200	39,269	10,069
State Cigarette Tax	20,000	20,000	15,082	(4,918)
Convention Facilities Liquor Tax	127,492	130,492	138,083	7,591
Remonumentation	60,961	71,479	71,479	-
Liquor Law Enforcement	7,000	7,000	-	(7,000)
Voter Registration	450	450	610	160
Total State Grants	781,509	828,062	815,067	(12,995)

CLARE COUNTY
STATEMENT OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL--GENERAL FUND
For the Year Ended September 30, 2007

EXHIBIT W
(CONTINUED)

	BUDGETED AMOUNTS			Variance With
	Original	Final	Actual	Final Budget Positive (Negative)
Contributions From Local Units				
Liquor Law Enforcement--Townships	4,200	4,200	7,528	3,328
Law Enforcement Contracts				
Lincoln Township	107,959	127,491	121,935	(5,556)
City of Harrison	148,709	148,709	148,619	(90)
Village of Farwell	35,000	35,000	39,010	4,010
Hayes Township	40,249	40,249	23,023	(17,226)
Redding Township	5,051	5,051	4,211	(840)
Grant Township	17,501	17,501	16,130	(1,371)
MMC College	25,000	27,154	12,674	(14,480)
School Safety Match				
Harrison	40,248	40,248	40,247	(1)
Farwell	40,248	40,248	30,185	(10,063)
Total Contributions From Local Units	464,165	485,851	443,562	(42,289)
Charges for Services				
Circuit Court Costs	35,000	35,599	63,634	28,035
District Court Costs	265,000	272,093	299,486	27,393
Circuit Court Services	15,050	15,050	14,547	(503)
Public Guardian Services	30,000	30,000	23,480	(6,520)
Probate Court Services	32,000	32,000	18,010	(13,990)
Clerk Services	45,000	45,000	53,348	8,348
Partnerships and Assumed Names	4,000	4,000	3,300	(700)
Equalization Department Services				
Nongovernmental	4,556	4,556	5,120	564
Local Units	45,850	52,989	53,325	336
Register of Deeds Services	190,300	190,300	168,529	(21,771)
Abstract Department Services	5,020	5,020	3,751	(1,269)
Treasurer Services	3,750	3,750	3,235	(515)
Sheriff Services	6,500	8,500	11,280	2,780
Preliminary Breath Test Fees	16,000	16,000	14,280	(1,720)
Animal Control Services	9,110	9,110	10,386	1,276
District Court Attorney Fees	110,000	110,000	107,543	(2,457)
Probate Court Attorney Fees	1,600	1,600	2,245	645
Real Estate Transfer Tax	100,000	100,000	81,101	(18,899)
25% Child Care Fund Collection Fees	2,000	2,000	2,759	759
Abstract Department Use of Tract Book	54,000	54,000	37,260	(16,740)
District Court Assessment and Evaluation Fees	28,000	28,000	33,131	5,131
District Court Bond Costs	14,000	14,000	10,572	(3,428)
Circuit Court Bond Costs	3,300	3,300	-	(3,300)
District Court Civil Fees	75,000	77,000	83,143	6,143
Sheriff Service of Papers	29,000	29,000	33,135	4,135
Animal Adoption Fees	8,000	8,135	5,550	(2,585)
Record Copying	3,600	3,600	3,483	(117)
Building and Electrical Overhead	28,638	28,638	-	(28,638)
Jail Fees	7,500	7,500	5,390	(2,110)
Transporting Prisoners	30,000	30,000	29,398	(602)
Housing of Inmates--Other Counties	1,405,000	1,405,900	1,045,754	(360,146)
Housing of Inmates--State Detainees	8,000	8,000	6,045	(1,955)
Housing of Inmates--Diverted Felons	-	20,000	53,679	33,679
Weekend Lodging--Jail	22,000	22,000	20,080	(1,920)
Inmates Room and Board	5,500	5,500	11,815	6,315
Inmates Work Release	10,500	10,500	4,920	(5,580)
Inmates Incentive	-	-	10,600	10,600
Pay Phone Commissions	138,500	138,500	110,783	(27,717)
Vending Machine Commissions	1,800	1,800	1,301	(499)
Circuit Court Sex Offender Program	100	100	150	50
Drug Screening	8,000	8,000	8,090	90
Total Charges for Services	2,801,174	2,841,040	2,453,638	(387,402)

CLARE COUNTY
STATEMENT OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL--GENERAL FUND
For the Year Ended September 30, 2007

EXHIBIT W
(CONTINUED)

	BUDGETED AMOUNTS			Variance With
	Original	Final	Actual	Final Budget Positive (Negative)
Fines and Forfeits				
Circuit Court Bond Forfeitures	4,000	4,000	3,000	(1,000)
District Court Bond Forfeitures	10,000	10,000	7,210	(2,790)
Ordinance Fines and Costs	30,500	30,500	17,319	(13,181)
Total Fines and Forfeits	44,500	44,500	27,529	(16,971)
Interest and Rents				
Interest Earned	65,000	67,701	238,955	171,254
Rent	82,822	82,822	77,580	(5,242)
Royalties--Landfill	450,000	460,694	555,060	94,366
Total Interest and Rents	597,822	611,217	871,595	260,378
Other Revenues				
Sale of Fixed Assets	-	2,000	3,402	1,402
Contributions From Private Sources	-	38,678	29,515	(9,163)
Reimbursements				
Insurance	5,000	5,000	2,925	(2,075)
Tax Collection Bond	2,100	2,100	3,621	1,521
Bench Warrants	-	-	3,065	3,065
Township Tax Notice Postage	3,600	3,600	5,372	1,772
Postage	11,000	11,000	9,938	(1,062)
Workers' Compensation	10,000	10,000	12,788	2,788
Inmate Medical	43,500	63,500	46,781	(16,719)
Other	33,395	36,600	48,379	11,779
Gladwin County				
District Court	30,000	30,000	30,355	355
Probate Court	30,979	30,979	29,248	(1,731)
Total Other Revenues	169,574	233,457	225,389	(8,068)
Total Revenue	9,606,057	11,042,786	10,701,882	(340,904)
Other Financing Sources				
Interfund Transfers In				
Gypsy Moth	8,680	8,680	-	(8,680)
Revenue Sharing Reserve	612,000	612,000	602,407	(9,593)
Child Care--DHS	-	15,000	-	(15,000)
Tax Foreclosure	31,272	31,272	-	(31,272)
Delinquent Tax Revolving Fund	371,250	371,250	371,250	-
Health Insurance	45,000	45,000	-	(45,000)
Total Other Financing Sources	1,068,202	1,083,202	973,657	(109,545)
Total Revenues and Other Financing Sources	\$ 10,674,259	\$ 12,125,988	\$ 11,675,539	\$ (450,449)

CLARE COUNTY
STATEMENT OF EXPENDITURES AND OTHER USES--BY ACTIVITY
BUDGET AND ACTUAL--GENERAL FUND
For the Year Ended September 30, 2007

EXHIBIT X

	BUDGETED AMOUNTS			Variance With
	Original	Final	Actual	Final Budget Positive (Negative)
General Government				
Board of Commissioners	\$ 118,353	\$ 121,828	\$ 120,863	\$ 965
Circuit Court	333,226	335,904	314,115	21,789
District Court	632,263	652,002	650,826	1,176
Public Guardian	32,069	32,966	32,577	389
Probate Court	359,367	361,827	359,514	2,313
Circuit Court Probation	3,880	5,280	4,470	810
Probate Juvenile Office	168,583	177,913	162,897	15,016
Family Counseling	1,500	1,500	1,090	410
Jury Board	720	835	590	245
Administrator	139,871	146,481	141,167	5,314
Elections	102,205	102,365	61,433	40,932
Clerk	293,859	331,544	292,960	38,584
Equalization Department	175,723	185,130	182,070	3,060
Prosecuting Attorney	334,649	408,192	361,197	46,995
Register of Deeds	235,353	236,613	209,731	26,882
Abstract Department	41,202	41,762	39,583	2,179
Surveyor	4,282	4,392	4,010	382
Remonumentation	60,949	71,480	71,479	1
Treasurer	181,128	183,777	153,089	30,688
Cooperative Extension Service	96,299	97,337	87,304	10,033
Information Technology	59,207	60,089	47,760	12,329
Building Authority	254	317	-	317
Courthouse and Grounds	263,289	260,308	234,141	26,167
Drain Commissioner	85,979	86,941	85,329	1,612
Soil Conservation	3,000	3,000	3,000	-
Soil Erosion and Sedimentation	22,668	22,668	22,668	-
Record Copying	10,260	15,082	15,587	(505)
Mailing	63,500	75,201	70,876	4,325
Professional Services	36,000	41,928	41,928	-
Plat Board	80	80	-	80
Total General Government	3,859,718	4,064,742	3,772,254	292,488
Public Safety				
Sheriff	1,433,926	1,427,989	1,376,541	51,448
School Safety	80,496	80,496	66,621	13,875
Sheriff--City of Harrison	148,709	148,709	138,647	10,062
Sheriff--Lincoln Township	107,959	145,704	121,273	24,431
Sheriff--Village of Farwell	31,797	31,797	31,203	594
Sheriff--Redding Township	4,587	4,587	3,826	761
Sheriff--Grant Township	16,414	16,414	14,794	1,620
Sheriff--MMCC	24,959	28,039	25,543	2,496
Sheriff--Hayes Township	40,249	40,249	32,214	8,035
Marine Safety Program	22,988	22,988	18,033	4,955
Secondary Road Patrol	70,623	86,266	63,932	22,334
Off-Road Vehicle Grant	9,132	9,132	6,279	2,853
Snowmobile Safety Program	11,448	11,448	9,290	2,158
Off-Road Vehicle Safety Education Grant	5,451	5,451	180	5,271
Jail and Turnkey	2,013,000	2,027,809	2,009,554	18,255
Court Security	97,153	99,414	88,909	10,505
Local Emergency Planning Committee	1,576	4,697	965	3,732
Office of Emergency Management	52,654	53,111	46,730	6,381
Animal Control	215,999	215,875	178,701	37,174
Total Public Safety	4,389,120	4,460,175	4,233,235	226,940

CLARE COUNTY
STATEMENT OF EXPENDITURES AND OTHER USES--BY ACTIVITY
BUDGET AND ACTUAL--GENERAL FUND
For the Year Ended September 30, 2007

EXHIBIT X
(CONTINUED)

	BUDGETED AMOUNTS			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Public Works				
Department of Public Works	200	250	100	150
Solid Waste Planning	33,290	57,998	43,237	14,761
Drain-at-Large Assessments	9,840	12,063	9,649	2,414
Total Public Works	43,330	70,311	52,986	17,325
Health and Welfare				
Central Michigan District Health Department	214,670	217,020	215,477	1,543
Contagious Diseases	1,165	1,165	1,152	13
Substance Abuse	63,746	65,246	65,246	-
Medical Examiners	59,000	67,650	75,706	(8,056)
Central Michigan Mental Health Services	139,000	139,000	139,000	-
Veterans Burials	14,700	14,700	13,600	1,100
Office of Veterans Affairs	80,825	80,825	77,133	3,692
Total Health and Welfare	573,106	585,606	587,314	(1,708)
Community and Economic Development				
Planning Commission	10,422	22,029	11,576	10,453
Middle Michigan Development	22,500	22,500	22,500	-
County Convention and Visitors Bureau	5,000	5,000	5,000	-
Total Community and Economic Development	37,922	49,529	39,076	10,453
Other				
Insurance and Bonds				
Employee Health	500	201	-	201
Workers Compensation	85,428	89,194	89,194	-
Liability	250,000	274,460	274,460	-
Unemployment	37,636	35,542	18,166	17,376
Employee Retirement	296,231	302,918	306,563	(3,645)
Litigations--Attorney Fees	35,000	37,500	35,462	2,038
Professional Services--Studies and Reports	15,000	15,000	10,000	5,000
Tax Appeals Adjustments	5,000	6,739	6,773	(34)
Miscellaneous	2,195	2,494	1,536	958
Contingency	210,000	21,269	-	21,269
Total Other	936,990	785,317	742,154	43,163
Capital Outlay				
New Equipment				
District Court	8,621	10,844	9,498	1,346
Probate Court	7,811	13,165	12,634	531
Equalization	-	8,220	7,578	642
Prosecutor	-	2,200	-	2,200
Courthouse and Grounds	-	278	-	278
Sheriff	-	8,698	8,000	698
Sheriff--Vehicles	54,403	126,324	126,324	-
Sheriff--Computers	5,700	5,774	5,774	-
Dive Equipment	-	16,000	-	16,000
Jail	8,334	26,830	26,829	1
Veteran's Affairs	666	666	-	666
Total Capital Outlay	85,535	218,999	196,637	22,362

CLARE COUNTY
STATEMENT OF EXPENDITURES AND OTHER USES--BY ACTIVITY
BUDGET AND ACTUAL--GENERAL FUND
For the Year Ended September 30, 2007

EXHIBIT X
(CONTINUED)

	BUDGETED AMOUNTS			Variance With
	Original	Final	Actual	Final Budget Positive (Negative)
Debt Service				
Principal	9,840	9,840	9,839	1
Interest	2,103	2,103	2,103	-
Total Debt Service Requirements	11,943	11,943	11,942	1
Total Expenditures	9,937,664	10,246,622	9,635,598	611,024
Other Financing Uses				
Interfund Transfers (Out)--Primary Government				
Public Building and Improvement Fund	-	2,268	-	2,268
911 Service Fund	-	26,126	-	26,126
Law Library	-	1,500	-	1,500
Revenue Sharing Reserve	-	1,132,437	1,132,437	-
Department of Human Services Fund	-	5,000	5,000	-
Child Care Probate Fund	300,000	375,000	375,000	-
Child Care DHS Fund	75,000	75,000	75,000	-
Soldiers and Sailors Relief Fund	8,000	8,000	-	8,000
Airport Fund	-	10,394	-	10,394
Jail Building Debt Fund	476,000	476,000	474,880	1,120
Building Authority Refunding Debt Fund	115,000	115,000	104,662	10,338
Fringe Benefits	-	13,731	-	13,731
Total Other Financing Uses--Primary Government	974,000	2,240,456	2,166,979	73,477
Interfund Transfers (Out)--Component Units				
EDC	-	1,189	-	1,189
Lake Level	-	8,005	-	8,005
Lake Level Revolving	-	25,046	-	25,046
Total Other Financing Uses--Component Unit	-	34,240	-	34,240
Total Expenditures and Other Financing Uses	\$ 10,911,664	\$12,521,318	\$ 11,802,577	\$718,741

CLARE COUNTY
COMBINING STATEMENT OF NET ASSETS
DEPARTMENT OF PUBLIC WORKS--COMPONENT UNIT
September 30, 2007

EXHIBIT AA-1

	DEBT SERVICE			
	Clare Water #1	Clare Sewer #3 Refunding Bonds - 2002	Clare Sewer #4	Total
<u>ASSETS</u>				
Current Assets				
Cash			\$ 445	\$ 445
Due From Local Units of Government				
Due Within One Year	\$ 25,000	\$ 20,000	270,000	315,000
Total Current Assets	25,000	20,000	270,445	315,445
Total Assets	25,000	20,000	270,445	315,445
Noncurrent Assets				
Due From Local Units of Government				
Due in More Than One Year	350,000	405,000	320,000	1,075,000
Total Noncurrent Assets	350,000	405,000	320,000	1,075,000
Total Assets	\$ 375,000	\$ 425,000	\$ 590,445	\$ 1,390,445
<u>LIABILITIES</u>				
Total Current Liabilities	\$ -	\$ -	\$ -	\$ -
Noncurrent Liabilities				
Bonds Payable--Due Within One Year	25,000	20,000	270,000	315,000
Bonds Payable--Due in More Than One Year	350,000	405,000	320,000	1,075,000
Total Noncurrent Liabilities	375,000	425,000	590,000	1,390,000
Total Liabilities	375,000	425,000	590,000	1,390,000
<u>NET ASSETS</u>				
Restricted for Debt Service			445	445
Total Net Assets	\$ -	\$ -	\$ 445	\$ 445

CLARE COUNTY
COMBINING STATEMENT OF ACTIVITIES
DEPARTMENT OF PUBLIC WORKS--COMPONENT UNIT
For the Year Ended September 30, 2007

EXHIBIT AA-2

<u>Functions/Programs</u>	<u>PROGRAM REVENUES</u>			
	<u>Expenses</u>	<u>Charge for Services</u>	<u>Operating Grants and Contributions</u>	<u>Net (Expense) Revenue</u>
Clare Water #1 Debt				
Interest on Related Debt	\$ 21,385		\$ 21,385	\$ -
Total Clare Water #1 Debt	21,385	\$ -	21,385	-
Clare Sewer #3 Refunding Bonds 2002 Debt				
Interest on Related Debt	23,965		23,965	-
Total Clare Sewer #3 Refunding Bonds 2002 Debt	23,965	-	23,965	-
Clare Sewer #4 Debt				
Interest on Related Debt	29,314		\$ 29,319	5
Total Clare Sewer #4 Debt	\$ 29,314	\$ -	\$ 29,319	\$ 5
				Change in Net Assets
				\$ 5
				Net Assets--Beginning of Year
				440
				Net Assets--End of Year
				\$ 445

CLARE COUNTY
COMBINING BALANCE SHEET
DEPARTMENT OF PUBLIC WORKS--COMPONENT UNIT
GOVERNMENTAL FUNDS
September 30, 2007

EXHIBIT AA-3

	DEBT SERVICE			
	Clare Water #1	Clare Sewer #3 Refunding Bonds - 2002	Clare Sewer #4	Total
<u>ASSETS</u>				
Cash			\$ 445	\$ 445
Due From Local Units of Government	\$ 375,000	\$ 425,000	590,000	1,390,000
Total Assets	\$ 375,000	\$ 425,000	\$ 590,445	\$ 1,390,445
<u>LIABILITIES AND FUND EQUITY</u>				
Liabilities				
Deferred Revenue	\$ 375,000	\$ 425,000	\$ 590,000	\$ 1,390,000
Total Liabilities	375,000	425,000	590,000	1,390,000
Fund Equity				
Fund Balance				
Designated for Debt Service	-	-	445	445
Total Fund Equity	-	-	445	445
Total Liabilities and Fund Equity	\$ 375,000	\$ 425,000	\$ 590,445	\$ 1,390,445
Fund Balance--Total Governmental Funds				\$ 445
Amounts reported for governmental activities in the Statement of Net Assets are different because:				
Certain receivables, such as due from local units of government, are not due in the current period and, therefore, are not reported in the funds.				1,390,000
Certain liabilities, such as bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.				(1,390,000)
Total Net Assets				\$ 445

CLARE COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES--DEPARTMENT OF PUBLIC WORKS
COMPONENT UNIT--GOVERNMENTAL FUNDS
For the Year Ended September 30, 2007

EXHIBIT AA-4

	DEBT SERVICE			
	Clare Water #1	Clare Sewer #3 Refunding Bonds - 2002	Clare Sewer #4	Total
Revenues				
Contributions From Local Units	\$ 46,385	\$ 43,965	\$ 284,313	\$ 374,663
Interest and Rentals			6	6
Total Revenues	46,385	\$ 43,965	284,319	374,669
Expenditures				
Debt Service				
Principal	25,000	20,000	255,000	300,000
Interest and Fiscal Fees	21,385	23,965	29,314	74,664
Total Expenditures	46,385	43,965	284,314	374,664
Excess of Revenues Over (Under) Expenditures	-	-	5	5
Fund Balance--October 1, 2006			440	440
Fund Balance--September 30, 2007	\$ -	\$ -	\$ 445	\$ 445

Amounts reported for governmental activities in the Statement of Activities are different because:

Net Change in Fund Balances--Total Governmental Funds	\$ 5
Township contributions related to principal payments are recorded as revenues in governmental funds, but have already been recorded as revenue in the year the debt was incurred.	(300,000)
Principal payments are recorded as expenditures in governmental funds, but principal payments reduce long-term liabilities in the Statement of Net Assets.	300,000
Change in Net Assets of Governmental Activities	\$ 5

CLARE COUNTY
COMBINING STATEMENT OF NET ASSETS
DRAIN COMPONENT UNIT
September 30, 2007

EXHIBIT AB-1

CAPITAL PROJECTS						
	Drain	Drain Revolving	Lake Level	Lake Level Revolving	Lake Improvement Revolving	Total
<u>ASSETS</u>						
Current Assets						
Cash	\$ 57,127	\$ 21,950	\$ 26,442	\$ 30,086	\$ 102,592	\$ 238,197
Investments	23,944					23,944
Special Assessments Receivable Due Within One Year	42,083					42,083
Total Current Assets	123,154	21,950	26,442	30,086	102,592	304,224
Noncurrent Assets						
Special Assessments Receivable Due in More Than One Year	60,045					60,045
Capital Assets--Net of Accumulated Depreciation	657,105		124,297			781,402
Total Noncurrent Assets	717,150	-	124,297	-	-	841,447
Total Assets	\$ 840,304	\$ 21,950	\$ 150,739	\$ 30,086	\$ 102,592	\$ 1,145,671
<u>LIABILITIES AND NET ASSETS</u>						
Liabilities						
Current Liabilities						
Accounts Payable	\$ 3,320		\$ 1,233		\$ 6,584	\$ 11,137
Total Current Liabilities	3,320	\$ -	1,233	\$ -	6,584	11,137
Noncurrent Liabilities						
Long-Term Advances From Primary Government		29,695		53,490	170,000	253,185
Assessments Collected in Advance	4,334					4,334
Notes Payable--Due Within One Year	53,097					53,097
Notes Payable--Due in More Than One Year	55,428					55,428
Total Noncurrent Liabilities	112,859	29,695	-	53,490	170,000	366,044
Total Liabilities	116,179	29,695	1,233	53,490	176,584	377,181
Net Assets						
Invested in Capital Assets--Net of Related Debt	548,580		124,297			672,877
Restricted for Capital Projects	175,545	(7,745)	25,209	(23,404)	(73,992)	95,613
Total Net Assets	\$ 724,125	\$ (7,745)	\$ 149,506	\$ (23,404)	\$ (73,992)	\$ 768,490

CLARE COUNTY
COMBINING STATEMENT OF ACTIVITIES
DRAIN COMPONENT UNIT
For the Year Ended September 30, 2007

EXHIBIT AB-2

<u>Functions/Programs</u>	<u>PROGRAM REVENUES</u>			
	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue
Drain				
Governmental Activities				
Public Works	\$ 28,356	\$ 45,692	\$ 14,656	\$ 31,992
Interest on Related Debt	279			(279)
Total Drain	28,635	45,692	14,656	31,713
Drain Revolving				
Governmental Activities				
Public Works				
Total Drain Revolving	-	-	-	-
Lake Level				
Governmental Activities				
Public Works	10,330	22,991		12,661
Total Lake Level	10,330	22,991	-	12,661
Lake Level Revolving				
Governmental Activities				
Public Works				-
Total Lake Level Revolving	-	-	-	-
Lake Improvement Revolving				
Governmental Activities				
Public Works	48,946			(48,946)
Total Lake Improvement Revolving	\$ 48,946	\$ -	\$ -	\$ (48,946)
Change in Net Assets				\$ (4,572)
Net Assets--Beginning of Year				773,062
Net Assets--End of Year				\$ 768,490

CLARE COUNTY
COMBINING BALANCE SHEET
DRAIN--COMPONENT UNIT
GOVERNMENTAL FUNDS
September 30, 2007

EXHIBIT AB-3

CAPITAL PROJECTS						
	Drain	Drain Revolving	Lake Level	Lake Level Revolving	Lake Improvement Revolving	Total
<u>ASSETS</u>						
Cash	\$ 57,127	\$ 21,950	\$ 26,442	\$ 30,086	\$ 102,592	\$ 238,197
Investments	23,944					23,944
Special Assessments Receivable	102,128					102,128
Due From Other Funds--Component Units		7,745		23,404		31,149
Total Assets	\$ 183,199	\$ 29,695	\$ 26,442	\$ 53,490	\$ 102,592	\$ 395,418
<u>LIABILITIES AND FUND EQUITY</u>						
Liabilities						
Accounts Payable	\$ 3,320		\$ 1,233		\$ 6,584	\$ 11,137
Due to Other Funds--Component Units	7,745		23,404			31,149
Long-Term Advances From Primary Government		\$ 29,695		\$ 53,490	170,000	253,185
Assessments Collected in Advance	4,334					4,334
Deferred Revenue	102,128					102,128
Total Liabilities	117,527	29,695	24,637	53,490	176,584	401,933
Fund Equity						
Fund Balance						
Reserved For Capital Projects	65,672		1,805		(73,992)	(6,515)
Total Fund Equity	65,672	-	1,805	-	(73,992)	(6,515)
Total Liabilities and Fund Equity	\$ 183,199	\$ 29,695	\$ 26,442	\$ 53,490	\$ 102,592	\$ 395,418
Fund Balance--Total Governmental Funds						\$ (6,515)
Amounts reported for governmental activities in the Statement of Net Assets are different because:						
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.						781,402
The long-term special assessments are not considered "available" in governmental funds, but are considered earned and are recognized as revenue in the Statement of Activities.						102,128
Certain Liabilities, such as notes payable, are not due and payable in the current period and, therefore, are not reported in the funds.						(108,525)
Total Net Assets						\$ 768,490

CLARE COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES--DRAIN--COMPONENT UNIT
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2007

EXHIBIT AB-4

	CAPITAL PROJECTS					
	Drain	Drain Revolving	Lake Level	Lake Level Revolving	Lake Improvement Revolving	Total
Revenues						
Contributions From Local Units	\$ 13,695					\$ 13,695
Interest and Rentals	961					961
Special Assessments	89,624		\$ 22,991			112,615
Total Revenues	104,280	\$ -	22,991	\$ -	\$ -	127,271
Expenditures						
Current						
Public Works	11,072		6,861		48,946	66,879
Capital Outlay	1,438		6,320			7,758
Debt Service						
Principal	53,097					53,097
Interest on Related Debt	3,417					3,417
Total Expenditures	69,024	-	13,181	-	48,946	131,151
Excess of Revenues Over (Under)						
Expenditures	35,256	-	9,810	-	(48,946)	(3,880)
Fund Balance (Deficit)--October 1, 2006	30,416	-	(8,005)	-	(25,046)	(2,635)
Fund Balance (Deficit)--September 30, 2007	\$ 65,672	\$ -	\$ 1,805	\$ -	\$ (73,992)	\$ (6,515)

Amounts reported for governmental activities in the Statement of Activities are different because:

Net Change in Fund Balances--Total Governmental Funds	\$ (3,880)
Governmental funds report capital outlays as expenditures. However, in the Statement of Net Activities the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense.	(12,995)
Principal payments are recorded as expenditures in governmental funds, but principal payments reduce long-term liabilities in the Statement of Net Assets.	53,097
The long-term special assessments are not considered "available" in governmental funds, but are considered earned and are recognized as revenue in the Statement of Activities.	(43,932)
Change in Accrued Interest Expense	3,138
Change in Net Assets of Governmental Activities	\$ (4,572)

CLARE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (1)(2)
For the Year Ended September 30, 2007

SCHEDULE 1

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor Number</u>	<u>Revenue Recognized</u>	<u>Federal Expenditures</u>
PRIMARY GOVERNMENT				
US DEPARTMENT OF AGRICULTURE--RURAL DEVELOPMENT				
Office of Rural Development--Direct				
Rural Housing Preservation Grant (2005/2006)	10.433	(3)	\$ 21,104	\$ 21,104
Rural Housing Preservation Grant (2006/2007)	10.433	(3)	61,429	61,429
Office of Rural Development--Direct				
Technical and Supervisory Assistance Grants	10.441	(3)	27,614	27,614
Office of Rural Development--Direct				
Solid Waste Management Grants	10.762	(3)	9,842	9,842
Office of Rural Housing Service--Direct				
Community Facilities Grant	10.766	00-14	71,500	71,500
Office of Community Development--Direct				
Enterprise Community	10.772	(3)	191,411	191,411
TOTAL US DEPARTMENT OF AGRICULTURE			<u>382,900</u>	<u>382,900</u>
US DEPARTMENT OF TRANSPORTATION				
Passed Through Michigan Department of State Police				
Hazardous Material Emergency Planning Grant	20.703	(3)	703	703
TOTAL US DEPARTMENT OF TRANSPORTATION			<u>703</u>	<u>703</u>
US DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed Through Michigan Family Independence Agency				
Child Support Enforcement (Title IV-D)				
Friend of the Court--Performance Incentive Programs	93.563	CS/FOC-07-18001	41,389	(4)
Friend of the Court	93.563	CS/FOC-07-18001	198,373	198,373
Prosecuting Attorney	93.563	CS/PA-07-18002	39,620	39,620
Prosecuting Attorney--Performance Incentive Programs	93.563	CS/PA-07-18002	790	(4)
TOTAL US DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>280,172</u>	<u>237,993</u>
US DEPARTMENT OF HOMELAND SECURITY				
Passed Through Michigan Department of Natural Resources				
Boating Safety Financial Assistance--Marine Safety Program	97.012	(3)	9,189	9,189
Passed Through Michigan Department of State Police				
Emergency Management Performance Grant (5)	97.042	(3)	11,216	11,216
TOTAL US DEPARTMENT OF HOMELAND SECURITY			<u>20,405</u>	<u>20,405</u>
TOTAL PRIMARY GOVERNMENT			<u>\$ 684,180</u>	<u>\$ 642,001</u>

See Notes to Schedule of Expenditures of Federal Awards.

CLARE COUNTY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended September 30, 2007

- 1) The accompanying Schedule of Expenditures of Federal Awards presents the activity of all Federal awards programs of Clare County. Federal awards received directly from Federal agencies, as well as Federal awards passed through other government agencies, are included on the schedule.

It is required by the Michigan Department of Transportation that road commissions report total Federal financial assistance for highway research, planning and construction pertaining to their county. However, only the Federal financial assistance applicable to force account expenditures is required to be audited for compliance under the Single Audit Act through Road Commission procurement. The reason for this requirement is that the Road Commission is required to have accounting and administrative control over the force account (negotiated) contracts, while all other contracts are administered by the Michigan Department of Transportation. During 2007, the Road Commission received and expended \$789,046 in Federal Highway grant money where the work was performed by contractors that were paid directly from the State, which is included in the State's single audit.

- 2) The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note A of the county's financial statements.
- 3) Pass-through grantor's number was not available.
- 4) Revenue from this grant is based on collection effort only, with no directly related expenditures.

CLARE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section I--Summary of Auditor's Results*Financial Statements*Type of auditor's report issued: unqualified

Internal control over financial reporting:

Material weakness(es) identified? ✓ Yes NoControl deficiency(ies) identified that are not considered to be material weaknesses? ✓ Yes NoNoncompliance material to financial statements noted? Yes ✓ No*Federal Awards*

Internal control over major programs:

Material weakness(es) identified? Yes ✓ NoReportable condition(s) identified that are not considered to be material weaknesses? Yes ✓ None reportedType of auditor's report issued on compliance for major programs: unqualifiedAny audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes ✓ No

Identification of Major Programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
10.772	Enterprise Community
93.563	Child Support Enforcement Title IV-D

Dollar threshold used to distinguish between type A and type B programs: \$300,000Auditee qualified as low-risk auditee? Yes ✓ No

CLARE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Section II--Financial Statement Findings

MATERIAL WEAKNESSES

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk of misstatements in amounts that would be material in relation to the financial statements. The following conditions are considered material weaknesses.

Bank Reconciliation to Funds

Finding 07-1

Condition: As of December 31, 2007, the county's general checking account (pooled cash account) had not been reconciled since September 2006. These reconciliations were prepared subsequent to beginning our audit. According to the September 30, 2007 bank reconciliation, an unexplained shortage of \$53,166 remained, despite numerous corrections we found during the course of our other audit procedures.

Cause: An overall lack on internal control in the treasurer's office related to the reconciliation of bank accounts.

Effect: The board of commissioners cannot have a true picture of cash available for disbursements, nor monitor its budget as revenues and expenses may be misstated.

Criteria: The Standards of Internal Control for the Federal Government (which is a good general standard for all types of municipalities) states that reconciliations must be performed as part of internal controls. This is further enhanced by the Michigan Uniform Accounting Procedures Manual which states that: "All cash accounts should be reconciled to their respective bank statements monthly. An authorized individual not responsible for the actual physical handling of cash should reconcile bank statements to the general ledger when possible." It further states, "Monthly, the treasurer should produce a summary report of cash activity by fund and summary report of cash activity by bank account, certificate of deposit and investment account."

Recommendation: We strongly recommend that all bank accounts be reconciled monthly with the accounting records and that all bank accounts be recorded in the county's records. The activity in the bank should reconcile to the general ledger and provide a means to correct errors in posting. The county must be able to determine how much money each fund has in a particular bank and/or investment account. We also recommend that monthly, the treasurer provides the board with periodic financial reports to assist in determining if the cash balances are sufficient to meet the needs of the current period and whether there is sufficient cash available to cover unforeseen expenditures.

CLARE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

MATERIAL WEAKNESSES (Continued)

Management's Response--Corrective Action Plan: Contact person is Lois A. Chinn, Clare County Treasurer, 225 West Main Street, P.O. Box 564, Harrison, Michigan 48625. Telephone (989) 539-7801.

In order to keep the statements up to date, I have changed the work loads in the office. I will be checking each month on the progress and make sure they are completed in a timely manner. All corrections will be made within the month. As treasurer, I will be doing the reconciliations on all investment accounts. There will be transfer files made up for each fund along with a copy of all journal entries to make sure the transfers are completed and on which date. At the end of the month, a copy of the trial balance will be given to the Finance Committee along with a print out of investments. All funds will be continuously monitored and reported to the administrator and the commissioners on a monthly basis.

Accounts Receivable Balances

Finding 07-2

Condition: At the start of our audit, we noted numerous accounts receivable balances which were not reconciled including a credit balance of \$60,986 in the Due from State account in the General Fund. Accounts receivable balances normally have a debit balance.

Cause: As revenues are received in October and November, the treasurer's office reviews the revenues and prepare a journal entry for any receivable from the previous fiscal year. The receivables are then either reversed by receipting against the receivable accounts or by journal entry. Receivable balances are not monitored to ensure accuracy or that ending balances are reversed off. Over the previous three years, receivables have been recorded through journal entries approved by the administrator's office, treasurer's office, and through audit adjustments. As one fiscal year ended and the next began, these receivables were not reversed off properly. In some cases, corrections were made through future journal entries by the treasurer and/or audit adjustments that compounded the problem.

Effect: Accounts receivable and revenue line items have been overstated and understated affecting the true picture of the financial statements providing the board with inaccurate information for decision making.

Criteria: Receivable line-items should reconcile to a properly maintained subsidiary ledger. This ledger should be reviewed for accuracy of postings to the receivable line-items and to ensure that the balance recorded is the amount received and is reversed off of the related receivable accounts.

CLARE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

MATERIAL WEAKNESSES (Continued)

Recommendation: We recommend that a formal procedure be established to create a subsidiary ledger for recording receivables and that the balances are monitored to ensure that the receivable balances are reduced to zero at the beginning of the subsequent fiscal year. However, if the county chooses not to establish a subsidiary ledger for recording receivables, the collections received must be monitored more closely and posted directly to the general ledger in October and November after the fiscal year end to ensure the collections are recorded in the proper fiscal year.

Management's Response--Corrective Action Plan: Contact person is Lois A. Chinn, Clare County Treasurer, 225 West Main Street, P.O. Box 564, Harrison, Michigan 48625. Telephone (989) 539-7801.

In previous years, the accounts receivable balances were entered by the treasurer and monitored at the end of the fiscal year by accruals. When these payments were received they would be recorded and applied to the accounts receivable and zero out. I plan to go back to this system after the system had changed in the previous years. I will be monitoring these line-items more closely.

Due To/Due From, Transfer In/Transfer Out, and Long-Term Advances

Finding 07-3

Condition: We found during the audit, that the due to/due from accounts, transfer in/transfer out accounts, and long-term advances did not agree with each other. Numerous errors were posted to these accounts requiring substantial audit time to correct the balances and some adjustments made affected the cash balances.

Criteria: The accounts, stated above, are set up to record short-term amounts due to/from other accounts, appropriations being transferred from one fund to another, and advances from one fund to another. An entry made in one fund should have an equal offsetting entry made into another fund. Essentially, "due to accounts" should equal "due from accounts," "transfers in should equal transfers out," and "advances to other funds" should equal "advances from other funds."

Recommendation: We recommend that these accounts be periodically reviewed to ensure that they are in balance throughout the year.

Management's Response--Corrective Action Plan: Contact person is Lois A. Chinn, Clare County Treasurer, 225 West Main Street, P.O. Box 564, Harrison, Michigan 48625. Telephone (989) 539-7801.

I will be periodically reviewing to ensure that these accounts are in balance. I will also be questioning when asked to post other than the correct way in the past.

CLARE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CONTROL DEFICIENCIES

Our audit also disclosed the following other reportable conditions not considered material weaknesses which we wish to point out for consideration by the management of Clare County.

Accounts Payable Balances

Finding 07-4

Condition: At the start of our audit, numerous accounts payable balances were not reconciled including a debit balance of \$49,465 in the accounts payable account in the Enterprise Community Fund. Account payables normally have a credit balance.

Cause: Over the previous three years, account payables were adjusted through journal entries and through audit adjustments. As one fiscal year ended and the next began, these payables were not always reversed off properly. The clerk's office was aware of these issues and provided them to us for the current audit to propose corrections.

Effect: Accounts payable and expense line-items have been overstated and understated affecting the true picture of the financial statements, providing the board with inaccurate information for decision making.

Criteria: Payable line-items should reconcile to a properly maintained subsidiary ledger.

Recommendation: We recommend that a formal procedure be established to create a subsidiary ledger for recording payables and that the balances are monitored to ensure that the payable balances are reduced to zero at the beginning of the subsequent fiscal year.

Management's Response--Corrective Action Plan: Contact person is Carol A. McAulay, Clare County Clerk, 225 West Main Street, P.O. Box 438, Harrison, Michigan 48625. Telephone (989) 539-7131.

As noted in the schedule of findings, over the past three years, payables were adjusted through journal entries and through audit adjustments. When the accounting office noticed we did not balance, a search was made with information pulled to be looked over by the state auditors, as the county treasurer claimed it was an auditor's adjustment. Problem here was that the county clerk, who is responsible for this department was not apprised of same, due to adjustments being made by the auditors through the county treasurer. Corrective Action: Better communication so county clerk will be made aware of any situation so solutions can be looked at and/or problems solved.

CLARE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CONTROL DEFICIENCIES (Continued)

Administrator--Capital Assets

Finding 07-5

Condition: The capital asset listing provided at the start of the audit was not the list used in the preparation of the prior year's audit report. Also, the county set a capitalization threshold of \$5,000. However, there were items under \$5,000 posted to capital outlay that lead to various adjustments to correct the additions to the capital asset list. In addition, the list that was provided only included capital outlay additions purchased by the General Fund. Purchases of capital assets from the Special Revenue Funds and the Capital Project Funds were not included in the listing.

Criteria: The Michigan Department of Treasury and generally accepted accounting principles requires that each governmental unit maintain a record of capital assets. Governmental Accounting Standards Board (GASB) Statement No. 34 requires capital assets to be presented on the Statement of Net Assets-Net of Depreciation and related debt. The county is to update the capital asset listing for additions and deletions. For governmental funds, assets purchased during the year and recorded as capital outlay should equal the additions to the capital asset records. Disposals should equal the reductions to the capital asset records. Depreciation is also to be calculated on the capital assets.

Recommendation: We recommend the county maintain its capital asset listing throughout the year and that it be periodically reviewed to ensure that the capital outlay is properly posted for all governmental funds (the general fund, special revenue funds, and capital project funds), disposals are updated, and related depreciation is calculated.

Management's Response--Corrective Action Plan: Contact person is William D. Newkirk, Clare County Administrator, 225 West Main Street, P.O. Box 438, Harrison, Michigan 48625. Telephone (989) 539-2510.

Capital Assets will be maintained by recording information from invoices being charged to new equipment line-items for all government funds. Accounts payable supplies the administrator's office with copies of the invoices as they are received. Equipment disposals will be updated and related depreciation will be calculated.

Various Departments--Agency Funds

Finding 07-6

Condition: The county has been recording all activity for its tax foreclosures as activities in the General Agency Fund. Various liability accounts in the General Agency Fund had debit balances and other various liability account balances had incorrect credit balances. The county is also recording donation revenues and related expenses in the General Agency Fund instead of in the General Fund as an activity.

CLARE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

CONTROL DEFICIENCIES (Continued)

Criteria: Funds held in trust by a local unit of government are liabilities of the General Agency Fund. Liabilities normally have credit balances. Debit balances appear when overpayments are made or errors in entries occur. Revenues should be recorded as revenues in the respective fund to which the revenue would apply.

Recommendation: We recommend that responsible personnel continue to monitor and investigate and resolve all debit balances and incorrect credit balances in the liability accounts. All funds owed to the county for overpayments should be requested from those entities and/or individuals that were overpaid. All incorrect liability accounts that have differences that cannot be explained should be reconciled with supporting detail records. The net unexplained shortage or overage for all General Agency Fund accounts should be submitted to the board of commissioners. If there is a net overage, we recommend the board authorize it to be transferred to the General Fund. If there is a net shortage, we recommend that board approve an appropriation from the General Fund.

Management's Response--Corrective Action Plan: Contact person is Lois A. Chinn, Clare County Treasurer, 225 West Main Street, P.O. Box 564, Harrison, Michigan 48625. Telephone (989) 539-7801.

I will work with other departments to monitor the balances and prepare the necessary transfers to record revenues and expenses in the General Fund.

STATUTORY NONCOMPLIANCE

Violation of Open Meetings Act

Finding 07-7

Condition: On December 20, 2006, the board approved to go into closed session to discuss the annual performance evaluation of the administrator. On April 11, 2007, the board approved to go into closed session to discuss an employee's personnel issue. On May 9, 2007, the board approved to go into closed session with no reason indicated in the minutes (further research explained it was to discuss legal matters).

Criteria: MCL 15.268 section 8 (b) of the Open Meetings Act states:

"A public body may meet in a closed session to consider the dismissal, suspension, or disciplining of, or to hear complaints or charges brought against, or to consider a periodic personnel evaluation of, a public officer, employee, staff member, or individual agent, **if the named person requests a closed hearing**. A person requesting a closed hearing may rescind the request at any time, in which case the matter at issue shall be considered after the rescission only in open sessions." (emphasis added)

CLARE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

STATUTORY NONCOMPLIANCE (Continued)

MCL 15.268 section 8 (e) of the Open Meetings Act states:

“To consult with its attorney regarding trial or settlement strategy in connection with specific pending litigation, but only if an open meeting would have a detrimental financial effect on the litigating or settlement position of the public body.”

Directive: We direct the county to clarify the purpose of its executive sessions to include the named person requesting the closed hearing or information regarding specific pending litigation.

Management's Response--Corrective Action Plan: Contact person is Carol A. McAulay, Clare County Clerk, 225 West Main Street, P.O. Box 438, Harrison, Michigan 48625. Telephone (989) 539-7131.

As noted, the county clerk did take the minutes as stated and will advise the board of commissioners in the future to make mention of the person's name when making their motion. Example: At the request of:

As noted, a reason for not going into closed session was omitted once. Deputy clerk was new at taking minutes and has been apprised of the situation.

Fund Deficits

Finding 07-8

Condition: As of September 30, 2007, a deficit existed in the unreserved fund balance (governmental funds) and unreserved net assets (proprietary fund) in the following funds:

	<u>Fund Balance</u>	<u>Net Assets</u>
Special Revenue Funds		
911 Service Fund	\$ 243,283	
Law Library Fund	301	
Internal Service		
Technology Fund		\$ 12,925
Component Unit--Drain Commission		
Lake Improvement Revolving Fund	73,992	

CLARE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

STATUTORY NONCOMPLIANCE (Continued)

Criteria: Noncompliance with PA 140 of 1971, as amended, Failure to File Reports and Deficit Elimination Plans:

“For a fiscal year of a unit of local government ending on or after October 1, 1980 or any year thereafter, if a local unit of government ends its fiscal year in a deficit condition, the local unit of government shall formulate and file a financial plan within 90 days after the beginning of the fiscal year to correct this condition. Upon request of a local unit of government the Department of Treasury may assist that local unit in the formulation of the financial plan to correct the deficit condition. The local unit of government shall file the financial plan with the Department of Treasury for evaluation and certification that the plan ensures that the deficit condition is corrected. Upon certification by the Department of Treasury, the local unit of government shall institute the plan. An amount equal to 25% of each payment to a local unit of government entitled to payments under this act may be withheld until requirements of this subsection are met.”

The county failed to formulate and file a deficit elimination plan within 90 days after the beginning of a fiscal year to correct a deficit condition which existed at the end of the previous fiscal year (MCL 141.921(2)). The financial plan is to be filed with the state treasurer.

Directive: We direct the county to file a Deficit Elimination Plan as required by PA 140 of 1971, as amended. If the deficit has been eliminated subsequent to September 30, 2007, the county should still submit a plan and demonstrate that the plan has already been completed with the desired results.

Management's Response--Corrective Action Plan: Contact person is William D. Newkirk, Clare County Administrator, 225 West Main Street, P.O. Box 438, Harrison, Michigan 48625. Telephone (989) 539-2510.

1. Special Revenue Fund, 911 Service Fund--In November of 2004, the voters of Clare County approved a millage intended to build, equip, and operate a 911 dispatch center. There was a desire at that time to construct the center, and money, \$550,000, was 'borrowed' from our Tax Revolving Fund for that construction. The intent was to pay the Tax Revolving Fund back from the revenues generated over the life of the 911 millage. No specific repayment plan was developed and this issue was not addressed until October of 2007. In February of 2008, it was determined that, due to the ballot language and the utilization of the facility, not all of the 'borrowed' money could be recovered through the 911 Fund. The county board of commissioners approved a plan which charges the 911 Fund \$309,154 with the remaining \$240,856 being a General Fund obligation (see attached). \$100,000 was returned to the Tax Revolving Fund from the 911 Fund during the 2007 fiscal year. Our plan involves returning not less than \$100,000 during the next two fiscal years. A transfer of \$3,000 has been authorized to fully eliminate the deficit.

CLARE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

STATUTORY NONCOMPLIANCE (Continued)

2. Special Service Fund, Law Library--The deficit of \$301 in this fund was caused by overspending on the part of the individuals monitoring the fund. Measures have been implemented, by the county administrator, on a countywide basis to prevent this situation from occurring in the future. Budgets and line items at risk of going over budget, or into deficit, are being frozen until resources can be realigned to prevent the deficit situation. This fund deficit has been eliminated through the utilization of 2008 funds.
3. Internal Service, Technology Fund--Information has been provided to the county administrator, by the county treasurer, that the deficit which existed in this fund will be eliminated during the current fiscal year (2008), as a result of payments being made from individual departments.
4. Drain Commission, Lake Improvement Fund--Relative to the Lake Improvement Fund, special assessment levies to be collected during the year 2008 will be sufficient to eliminate the deficit. We believe a deficit elimination plan is not necessary because future assessments are sufficient to eliminate the deficit when collected.

Board of Commissioners--Expenditures in Excess of Appropriations

Finding 07-9

Condition: Our examination of the procedures used by the county to adopt and maintain operating budgets for the budgetary funds revealed the following instances of noncompliance with the provisions of Public Act 2 of 1968, as amended, the Uniform Budgeting and Accounting Act.

The county's 2007 General Appropriations Act (budget) provided for expenditures of the General Fund and special revenue funds to be controlled to the line-item level by the county. As detailed below, actual 2007 expenditures exceeded the board's approved budget allocations for several general fund and special revenue fund activities.

CLARE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

STATUTORY NONCOMPLIANCE (Continued)

During the year ended September 30, 2007, expenditures were incurred in excess of amounts appropriated in the amended budgets for the general fund and special revenue funds as follows:

	Budget	Actual	Variance With Final Budget Positive (Negative)
General Fund			
Board of Commissioners			
Salary	\$ 50,999	\$ 51,607	\$ (608)
FICA Expense	4,712	4,751	(39)
Medicare Expense	1,102	1,111	(9)
Travel & Expense	15,140	15,469	(329)
Circuit Court			
Office Supplies	3,000	3,142	(142)
Postage	715	963	(248)
Trial Court Attorneys	140,000	146,745	(6,745)
Transcripts	2,000	2,264	(264)
Travel & Expense	356	419	(63)
District Court			
Full-Time Salaries	296,670	303,027	(6,357)
Part-Time	21,600	21,921	(321)
Office Supplies	10000	10029	(29)
Court Appointed Attorneys	112,640	116,550	(3,910)
Witness Fees	8,000	9,429	(1,429)
Travel & Expense	3,750	3,829	(79)
New Law Books	2,400	2,905	(505)
Probate Court			
Court Appointed Attorneys	60,650	62,165	(1,515)
Dues & Subscriptions	1,435	1,561	(126)
Maintenance Contracts	12,835	12,958	(123)
Telephone	5,300	5,410	(110)
Probate Juvenile			
Gas Oil & Grease	2,400	2,487	(87)
County Administrator			
Full-Time Administrative Assistant	30,018	30,359	(341)
County Clerk			
Salary	17,873	17,876	(3)
Equalization			
Full-Time Salaries	53,330	56,105	(2,775)
Script Reimbursement	750	1,050	(300)
Prosecutor			
Assistant Salary	70,631	73,824	(3,193)
Postage	4,000	4,484	(484)
Contract Services	3,500	4,364	(864)
Witness Fees	1,000	1,920	(920)
Ouil Blood Tests	2,000	2,473	(473)
Equipment Maintenance Contracts	2,374	3,584	(1,210)
Telephone	3,250	3,283	(33)
New Law Books	6,542	7,068	(526)

CLARE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

STATUTORY NONCOMPLIANCE (Continued)

	Budget	Actual	Variance With Final Budget Positive (Negative)
General Fund			
Register of Deeds			
Full-Time Salaries	95,233	95,337	(104)
Abstract Department			
Full-Time Salaries	11,699	11,823	(124)
Remonumentation			
Professional Consultation	71,283	71,363	(80)
County Treasurer			
Full-Time Salaries	77,268	80,142	(2,874)
FICA Expense	7,607	7,715	(108)
Medicare Expense	1,780	1,804	(24)
Cooperative Extension			
Travel & Expense	6,242	6,321	(79)
Computers			
Salary	29,965	30,018	(53)
Courthouse & Grounds			
Full-Time Salaries	25,681	25,682	(1)
Script Reimbursement	375	405	(30)
Gas Oil & Grease	1,700	1,706	(6)
Lights--Consumers	42,000	43,167	(1,167)
Sewer & Water	7,225	7,628	(403)
Building Repairs & Maintenance	20,745	21,368	(623)
Equipment Repairs & Maintenance	1,250	1,458	(208)
Duplicating Department			
Maintenance Contracts	6,828	7,390	(562)
Sheriff			
Undersheriff Salary	46,268	47,656	(1,388)
Overtime--CID	6,725	6,841	(116)
Gas Oil & Grease	99,000	99,876	(876)
Health Services Employees	4,000	4,195	(195)
Vehicle Repairs & Maintenance	47,713	49,298	(1,585)
Office Equipment Maintenance--Lein		1,639	(1,639)
Harrison City Contract			
Overtime	3,626	3,964	(338)
Holidays	2,178	4,788	(2,610)
Secondary Road Patrol Grant			
Salary	38,251	38,732	(481)
Jail & Corrections			
Uniforms & Accessories	2,665	3,144	(479)
Prisoners Meals	265,937	271,098	(5,161)
Health Services Counties	53,525	71,113	(17,588)
Health Services--Renters	60,000	66,753	(6,753)
Office Equipment Maintenance--Lein		820	(820)
Court Security			
PT Security Other	8,600	8,968	(368)

CLARE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

STATUTORY NONCOMPLIANCE (Continued)

	Budget	Actual	Variance With Final Budget Positive (Negative)
General Fund			
Animal Control			
Part-Time	41,241	42,756	(1,515)
Gas Oil & Grease	7,600	7,642	(42)
Telephone	2,340	2,461	(121)
Utilities	22,000	22,075	(75)
Solid Waste			
Salary	14,672	15,716	(1,044)
Contagious Diseases			
Health Services	1,000	1,152	(152)
Court Security			
PT Security Other	8,600	8,968	(368)
Animal Control			
Part-Time	41,241	42,756	(1,515)
Gas Oil & Grease	7,600	7,642	(42)
Telephone	2,340	2,461	(121)
Utilities	22,000	22,075	(75)
Solid Waste			
Salary	14,672	15,716	(1,044)
Contagious Diseases			
Health Services	1,000	1,152	(152)
Medical Examiner			
Service & Investigations	15,000	15,194	(194)
Autopsies	46,150	54,583	(8,433)
Veterans Affairs			
Director Salary	31,187	31,188	(1)
Insurance & Bonds			
County Portion--Retirement	302,918	306,563	(3,645)
Tax Appeals Adjustment			
Tax Appeals Adjustment	6,739	6,773	(34)
Parks and Recreation			
Parks Projects			
Part-Time	5,847	6,276	(429)
FICA Expense	364	389	(25)
Medicare Expense	85	91	(6)
Roadside Park/Contractual		117	(117)
Building Department Fund			
Building Inspector			
Vacations		2,766	(2,766)
Sick Leave		1,479	(1,479)
Electrical Inspector			
Electrical Inspector Salary	32,686	32,803	(117)
Service Fund			
Part-Time	103,440	104,335	(895)
Overtime	20,143	21,153	(1,010)
Clare County Council on Aging			
Tax Appeals Adjustment	600	747	(147)
Health Services--Renters	60,000	66,753	(6,753)
Office Equipment Maintenance--Lein		820	(820)

CLARE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

STATUTORY NONCOMPLIANCE (Continued)

Criteria: The expenditure of funds in excess of appropriations is contrary to the provisions of Section 17 of Public Act 2 of 1968.

Recommendation: We recommend that the county's chief administrative officer (administrator) and those boards and commissions and administrative personnel responsible for administering the activities of the various funds of the county, develop budgetary control procedures for the general fund and special revenue funds which will ensure that expenditures do not exceed amounts authorized in the General Appropriations Act or amendments thereof. These procedures should include a requirement that each county department head be responsible for monitoring the budgetary status of his or her activity(ies) monthly. Department heads must also be required to make formal requests to the county treasurer for budget amendments prior to incurring expenditures in excess of board authorized amounts.

Management's Response--Corrective Action Plan: Contact person is William D. Newkirk, Clare County Administrator, 225 West Main Street, P.O. Box 438, Harrison, Michigan 48625. Telephone (989) 539-2510.

Measures have been implemented at three levels in an effort to avoid the existence of 'over budget' line-items in the future.

1. When an individual line-item appears to be in danger of going into 'over budget' status, the accounting office notifies the county administrator of the pending problem.
2. Budgetary status of all line-items for potential problems with 'over budget' items is monitored at least weekly by the county administrator and every two weeks by the Board of Commissioners' Finance Committee.
3. The department head responsible for the line-item in danger of going 'over budget' is notified, in writing and verbally, by the county administrator that the line-item is 'frozen' and any attempted expenditure through that line-item will be returned to her/him until a budgetary adjustment is approved to address the pending 'over budget' condition. Bills submitted for payment from line-items that are 'over budget' are not being paid until funds are made available through the budgetary adjustment process.

Section III--Federal Award Findings and Questioned Costs

None



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

ROBERT J. KLEINE
STATE TREASURER

March 31, 2008

County of Clare
Board of County Commissioners
225 West Main Street
P.O. Box 438
Harrison, Michigan 48625

RE: Report on Internal Control Over Financial Reporting and on Compliance and Other
Matters Based on an Audit of the Financial Statements Performed in Accordance With
Government Auditing Standards

Dear Board Members:

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Clare County as of and for the year ended September 30, 2007, which collectively comprise Clare County's basic financial statements and have issued our report thereon dated March 31, 2008. Our report was modified to include a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Other auditors audited the financial statements of Clare County Transit Corporation and the Clare County Road Commission, as described in our report on Clare county's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County of Clare's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County of Clare's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County of Clare's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to initiate, authorize, record,

process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the county's financial statements that is more than inconsequential will not be prevented or detected by the county's internal control. Control deficiencies are described in the accompanying Schedule of Findings and Questioned Costs as Findings 2007-1 through 2007-6.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the county's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, of the control deficiencies and significant deficiencies described above, we consider Findings 2007-1 through 2007-3 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Clare's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. We noted other instances of noncompliance described in the accompanying Schedule of Findings and Questioned Costs as Findings 2007-7 through 2007-9.

This report is intended solely for the information of the County of Clare's Board of Commissioners, the county's management, others within the county, Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Cary Jay Vaughn, CPA, CGFM
Audit Manager
Local Audit and Finance Division



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

ROBERT J. KLEINE
STATE TREASURER

March 31, 2008

County of Clare
Board of County Commissioners
225 West Main Street
P.O. Box 438
Harrison, Michigan 48625

RE: Report on Compliance With Requirements Applicable to Each Major Program and on
Internal Control Over Compliance in Accordance With OMB Circular A-133

Dear Board Members:

Compliance

We have audited the compliance of the County of Clare with the types of compliance requirements described in the US Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major Federal programs for the year ended September 30, 2007. The County of Clare's major Federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major Federal programs is the responsibility of the County of Clare's management. Our responsibility is to express an opinion on the County of Clare's compliance based on our audit.

The County of Clare's financial statements include the operations of the Clare County Transit Corporation (enterprise fund), and the Clare County Road Commission (discretely presented component unit) which received Federal awards that are not included in the schedule during the 2007 year audit. Our audit, described below, did not include the operations of the Clare County Transit Corporation (enterprise fund), because other auditors were engaged to perform the audit in accordance with OMB Circular A-133. The Clare County Road Commission (special revenue component unit), which received and expended \$789,046 in Federal awards, is not included in the schedule for the year ended September 30, 2007 because it is included in the State's single audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance occurred with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program. An audit includes examining, on a test basis, evidence about the County of Clare's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit

provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County of Clare's compliance with those requirements.

In our opinion, the County of Clare complied, in all material respects, with the requirements referred to above that are applicable to each of its major Federal programs for the year ended September 30, 2007.

Internal Control Over Compliance

The management of the County of Clare is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to Federal programs. In planning and performing our audit, we considered the County of Clare's internal control over compliance with requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the county's internal control over compliance.

A *control deficiency* in the county's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a Federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the county's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected by the county's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a Federal program will not be prevented or detected by the county's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information of the County of Clare's Board of Commissioners, the county's management, others within the county, Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Cary Jay Vaughn, CPA, CGFM
Audit Manager
Local Audit and Finance Division